

The Development Needs of Pacific Island Countries

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Resilient nations.*

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List of Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CAITEC	Chinese Academy of International Trade and Economic Cooperation
CCECC	China Civil Engineering Construction Corporation
COVEC	China Overseas Engineering Group Ltd.
CSSP	Civil Society Support Program
DAC	Development Assistance Committee (OECD)
Dept	Department
DFAT	Department of Foreign Affairs and Trade (Australia)
DFID	Department for International Development (UK)
DNPM	Department of National Planning and Monitoring (PNG)
DoH	Department of Health
DoW	Department of Works
ENT	Ear, Nose and Throat
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FIDIC	International Federation of Consulting Engineers
FIFO	Fly in, Fly out
FSM	Federated States of Micronesia
GoPNG	Government of PNG
GoS	Government of Samoa
GoT	Government of Tonga
IFC	International Finance Corporation
IMF	International Monetary Fund
IMR	Institute of Medical Research (PNG)
JICA	Japan International Cooperation Agency
MAFF	Ministry of Agriculture, Fisheries and Forestry (Tonga)
MCC	China Metallurgical Corporation
MET	Ministry of Education and Training (Tonga)
MoFAC	Ministry of Finance's Aid Coordination/Debt Management Division (Samoa)
MoFNP	Ministry of Finance and National Planning (Tonga)

MP	Member of Parliament
NGO	Non-governmental Organization
NZAID	New Zealand Agency for International Development
ODA	Official Development Assistance
ODI	Outbound Direct Investment
OECD	Organisation for Economic Co-operation and Development
PMIZ	Pacific Marine Industrial Zone (PNG)
PNG	Papua New Guinea
PSSF	Private Sector Support Facility
SDS	Strategy for the Development of Samoa
SIEDP	Samoa Inclusive Education Demonstration Program
SSC	South-South Cooperation
TDB	Tonga Development Bank
TISMIC	Transport and Infrastructure Sector Monitoring, Implementation Committee
TMPI	Tonga Maritime Polytechnic Institute
TSDF	Tonga Strategic Development Framework
TVET	Technical Vocational Education and Training
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHRC	United Nations Human Rights Council
UNICEF	United Nations International Children's Emergency Fund
UNV	United Nations Volunteers
UNW	UN-Water
UNOCHA	UN Office for the Coordination of Humanitarian Affairs
US	United States
USAID	US Agency for International Development
WB	World Bank
WMO	World Meteorological Association

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1. An Introduction to the Research Project

1.1. Introduction

This report is based on research undertaken in Samoa, Tonga and Papua New Guinea (PNG) as part of a joint project supported by the United Nations Development Programme (UNDP) China, the Chinese Academy of International Trade and Economic Cooperation (CAITEC) and the Australian Department of Foreign Affairs and Trade (DFAT). This report aims to identify unmet development needs of Pacific nations, and potential areas for development cooperation in the region. The report also aims to:

- Identify the main development challenges in each country;
- Investigate aid from major donors in the Pacific, including China's priorities, practices and desire for future cooperation in the region;
- Identify the main development needs that are not being met;
- Set out possible areas of cooperation among development actors;
- Suggest strategies of development cooperation for traditional donors.

A list of interviews and field visits undertaken by the research team is included in Annex 1.

i) Background and definitions

In this section, the difference between “emerging” and “traditional” donors will be addressed, and the choice of the three countries explained. In the case of China, the label “emerging” is problematic. China has been a development partner of many African countries since the 1950s and in the Pacific since the 1970s. Yet the distinction matters, because it still informs the way Chinese, Australian and Pacific policymakers and aid practitioners think about how China approaches development assistance.¹ While Chinese policymakers are interested in adopting some aspects of the OECD-DAC approach to development, it is clear that they wish to maintain a different brand of aid, built on its own identity as a developing country. A useful starting point is the table below, proposed by Park.²

Table 1 is a useful summary, even though many of the distinctions are contentious. Bilateral relationships still dominate the aid system, even on the part of traditional donors. While much of the engagement with multilateral organizations – primarily the World Bank and the Asian Development Bank (ADB) in the Pacific – reflects reduced technical capacity and appetite for risk on the part of traditional donors, rather than a strong commitment to

¹ See, for example, Dandan Zhu, “Guoji yuanzhu tixi yu zhongguo duiwai yuanzhu: yingxiang, tiaozhan ji yingdui [The international aid structure and China's foreign aid: influence, challenges and reactions],” *International Economic Cooperation* no. 3 (2013): 67-71.

² Kang-Ho Park, “New Development Partners and a Global Development Partnership,” in *Catalyzing Development: A new vision for aid*, ed. Homi Kharas, Koji Makino, and Woojin Jung (Washington, DC: Brookings Institution Press, 2011).

multilateralism, engagement with one delivery partner reduces the burden on the recipient country’s point of contact in a given sector. The primacy of mutual benefit is not limited to emerging donors. For example, Australia’s recently announced aid policy will focus on ways to drive economic growth in developing nations and create pathways out of poverty. Under the new policy, new aid investments will consider ways to engage the private sector and promote private sector growth. Aid for trade investments will be increased to 20 per cent of the aid budget by 2020.³

Table 1. Divergent interpretations of development effectiveness principles

Principles	DAC members	South-South Development Cooperation (SSDC) providers
Country ownership	National development strategy outlines priority areas for donors, built up from technical discussion. Use common arrangements to minimize burden on recipients.	Ministers/senior officials articulate specific projects for cooperation through high-level political dialogue – ensure that cooperation is mutually beneficial. Agree to fully respect each other’s sovereignty and eschew policy conditionality.
Inclusivity	Use and strengthen recipient institutions and procedures – including civil society and parliaments, where feasible.	Capacity building as long term strategy – often through training. Generally no specific conditions imposed for consultations with civil society, parliament – can minimize burden by avoiding cumbersome bureaucratic processes.
Focus on results	Use recipient-led performance assessment frameworks; support results-based budgeting. Promote international best practice (rather than only policies implemented domestically), tying of aid discouraged and multilateralism of aid encouraged in many instances to minimize costs	Focus on delivering cooperation (incl. turnkey projects) in short run – quickly and at low cost. Tying permissible and widely used for this. Often use own development experiences and “how-to” knowledge. Focus on getting things done. Occasional use of multilateral system where judged to be in interest.
Transparency	Have commitments to making aid transparent – including for domestic audience – on websites and also through initiatives with specific methods for accounting and measuring aid.	Publish annual or biannual reports including details of priorities and allocations. In some cases includes reporting of non-aid policy measures for development.

³ Documents outlining Australia’s new aid policy are available online at <http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx>.

ii) Choice of countries

The three countries in this study were chosen in consultation with UNDP China, the China and Pacific branches of DFAT, CAITEC, and local researchers. All three nations are sufficiently large to have a significant aid presence, including concessional loans from China Eximbank (smaller, less developed Pacific Island nations tend to only receive assistance in the form of grants).

Papua New Guinea, as the largest recipient of Australian and Chinese development assistance in the Pacific (and the second largest recipient of DFAT overall, after Indonesia), could not be overlooked. It is the site of the largest single investment by a Chinese company in the Pacific, the US\$1.6 billion Ramu nickel/cobalt mine in Madang province. It is also the site of a proposed PNG-China-Australia development cooperation project on malaria control.

Samoa was a logical choice, as it is a stable country with strong institutions, where China has long enjoyed a strong presence as a provider of development assistance. A large number of the infrastructure projects arising from China's 2006 Concessional Loan Facility were secured by Samoa, including several government buildings, and the national hospital, partly contributing to a high level of external debt. China is the fourth most significant donor, behind Australia, New Zealand and Japan, and China has had a permanent diplomatic presence in Samoa for longer than Australia (only New Zealand established an embassy before them).

Tonga, along with Fiji, is one country where China's development assistance in the South Pacific has generated some controversy, largely due to concerns on the part of traditional donors (ADB in particular) about the level of external debt Tonga was accruing as a result of "soft loans" for infrastructure projects it had obtained through the 2006 Facility, with total public debt at 43% of GDP, 90% of that held by external creditors.⁴ Surprisingly, the World Bank and the IMF revised Tonga's risk of debt distress from high to moderate, despite weak economic performance and their own report finding that the "debt service burden is expected to rise sharply from FY 2013/14, substantially draining the government's cash balance."⁵ While there is little prospect of the two China Eximbank loans being forgiven (they were recently rescheduled), the debt-servicing issue gives incentive for cooperation to strengthen Tonga's economy.

It was not possible to include *Fiji* in this research project, but it will be a focus for future discussion on development cooperation, as it is the headquarters for numerous regional organizations, which are promising sites for cooperation. Fiji, like PNG, has the potential to join future cooperation in the Pacific as a donor, as well as a recipient of development

⁴ Asian Development Bank, "Tonga," *Pacific Economic Monitor*, (Asian Development Bank, December 2013): 16. Available online at <http://www.adb.org/sites/default/files/pub/2013/pacmonitor-dec2013.pdf>.

⁵ International Monetary Fund and International Development Association, "Tonga: Joint IMF/World Bank sustainability analysis 2013" (IMF, July 2, 2013). Available online at <http://www.imf.org/external/pubs/ft/dsa/pdf/2013/dsacr13234.pdf>.

assistance. Not all scholars agree that *Timor-Leste* should be considered part of the Pacific, but it is also a promising site for development cooperation.⁶

1.2. Research focus

This section will outline some of the debates around the merits, and otherwise, of engaging in multi-party development cooperation, and some of the research questions our team will be addressing.

i) *Who to coordinate with?*

As many writers have noted, the apparatus that delivers Chinese development assistance is complex and evolving.⁷ Effective engagement requires an awareness of this, and openness to engaging with a range of actors beyond the main formal actors. To this end, the research teams worked closely not only with the Chinese Economic Counselor's Office,⁸ DFAT and other donors, but also local NGOs, landowners, media outlets, church leaders and business groups, as well as those charged with delivering the aid. This included infrastructure contractors (Shanghai Construction Group in Samoa, China Civil Engineering Construction Corporation (CCECC) in Tonga, and China Overseas Engineering Group Ltd. (COVEC) in PNG), Chinese agricultural and medical teams, and local line ministries.

It was particularly important to engage with the infrastructure contractors, as Chinese companies in the partner nation play an active role in identifying potential projects in collaboration with local partners, and then feeding the information back to their headquarters, not unlike Japanese aid in the 1970s and 1980s.⁹ In Tonga and Samoa, a couple of companies tend to dominate aid delivery. In PNG, a Chinese Embassy survey of the 21 largest locally registered Chinese companies indicated that the majority were infrastructure contractors.

All three countries have different Chinese communities, and while they have no direct influence on China's aid program, they should not be overlooked, as they can impact perceptions of China in these countries.¹⁰ Both Tonga and PNG have experienced "anti-Asian" riots, and traders (largely from Fujian province) dominate the retail sectors in both countries, particularly in Tonga, where Chinese business migrants now account for

⁶ Laurentina Domingas Barreto Soares, "Foreign Aid for State-Building: A comparative study of Australian and Chinese aid programs in Timor-Leste" (Master of Arts Thesis, Ohio University, 2011).

⁷ Brant, "Chinese Aid in the Asia Pacific," 6-7; Deborah Brautigam, *The Dragon's Gift: The real story of China in Africa* (New York: Oxford University Press, 2010); Lucy Corkin, "Redefining Foreign Policy Impulses Toward Africa: The roles of the MFA, the MOFCOM and China Exim Bank," *Journal of Current Chinese Affairs* 40, no. 4 (2012): 61-90.

⁸ Economic Counselor's Offices are part of the Chinese Ministry of Commerce, the agency responsible for China's bilateral aid program.

⁹ Jin Sato, Hiroaki Shiga, Takaaki Kobayashi, and Hisahiro Kondoh, "Emerging Donors' from a Recipient Perspective: An institutional analysis of foreign aid in Cambodia," *World Development* 39, no. 12 (2011): 2091-2104.

¹⁰ Graeme Smith, "Chinese Reactions to Anti-Asian Riots in the Pacific," *Journal of Pacific History* 47 no. 1 (2012): 93-109.

around three per cent of the population. In Samoa, the “new” Chinese community is much smaller, but a handful of new arrivals also dominate the retail sector.

All three countries have well-established aid coordination mechanisms on paper, but for various reasons – small populations, under-resourced government agencies, and rent-seeking behavior on the part of political elites – they have different capabilities for engaging with donors in practice.¹¹ Given the limitations of China’s rapidly expanding formal aid program, the research team was mindful that the formal aid coordination systems of the recipient countries could be struggling to connect with appropriate actors on the Chinese side.

ii) Local demand for multi-party cooperation?

It should not be assumed that all actors in the recipient country believe that closer cooperation, or even coordination, between aid providers is a positive development. Nor should it be assumed that demand exists on the part of the partner government. Many writers have noted that traditional and emerging donors can be complementary. Traditional donors have moved away from physical infrastructure and production towards institution building and social infrastructure, such as education and health. Emerging donors, such as China, are able to fill the gap in meeting infrastructure and productive needs in a way that is sometimes seen as less bureaucratic.¹² In some cases, this has encouraged traditional donors to re-engage in the infrastructure sector.

Aside from complementarities, many writers have noted that the arrival of emerging donors has given many partner countries a greater degree of leverage in negotiations with traditional donors,¹³ and genuine ownership of their domestic development agenda.¹⁴ The views of Kenya’s ambassador to China, Julius Ole Sunkuli, on the proposed dialogue on US-China development cooperation, expressed in a leaked US Embassy cable, are instructive:¹⁵

Sunkuli claimed that Africa was better off thanks to China’s practical, bilateral approach to development assistance and was concerned that this would be changed by Western interference. He said he saw no concrete benefit for Africa in even minimal cooperation. Sunkuli said Africans were frustrated by Western insistence on capacity building, which translated, in his eyes, into conferences

¹¹ Matthew Dornan and Philippa Brant, “Chinese Assistance in the Pacific: Agency, effectiveness and the role of Pacific governments,” *Asia & the Pacific Policy Studies* (2014). Available online at http://www.lowyinstitute.org/files/chinese_assistance_in_the_pacific.pdf.

¹² Axel Dreher, Andreas Fuchs, and Peter Nunnenkamp, “New Donors,” *International Interactions* 39, no. 3 (2013): 402-15.

¹³ Lauren Walshe Roussel, “The Changing Donor Landscape in Nicaragua: Rising competition enhances ownership and fosters cooperation,” *Journal of International Development* 25, no. 6 (2013): 802-18.

¹⁴ Fahimul Quadir, “Rising Donors and the New Narrative of ‘South-South’ Cooperation: What prospects for changing the landscape of development assistance programmes?” *Third World Quarterly* 34, no. 2 (2013): 321-38.

¹⁵ Wikileaks, 2010. Cited in Laurence Chandy and Homi Kharas, “Why Can’t We All Just Get Along? The practical limits to international development cooperation,” *Journal of International Development* 23, no. 5 (2011): 739-51.

and seminars. They instead preferred China's focus on infrastructure and tangible projects. He also worried that Africa would lose the benefit of having some leverage to negotiate with their donors if their development partners joined forces.

The researchers thought it likely that cooperation between China and other development partners would be more welcomed by certain sections of the host country governments than others. Ministries responsible for aid coordination – typically Finance or Treasury – that gain leverage by traditional donors linking aid funding to areas such as public financial management reform, could be expected to welcome cooperation and coordination. This may not be the case for senior officials or ministries that are strengthened by China's direct, government-to-government approach – such as the Ministry of Foreign Affairs, or line ministers responsible for the areas where China's aid spending is targeted – infrastructure, education, and health, because they have become accustomed to bypassing their own country's imperfect aid coordination systems. Such an approach can cause problems, as it undermines the officials who are charged with assessing projects and briefing politicians, and because many politicians (particularly in PNG) only serve for a short time.

iii) Development cooperation and beyond

Some researchers have questioned the value and prospects of multi-party development cooperation, noting that even “traditional” donors, with similar views on how to approach development assistance, have struggled to cooperate or even coordinate their activities.¹⁶ This project was alert to:

- Low-cost avenues for furthering aid coordination between traditional and emerging donors in country;
- Enhancing the sharing of information on aid activities with the partner countries;
- Possibilities to support technical exchange between traditional and emerging donors and the host countries;
- Potential projects for development cooperation.

1.3. Specific characteristics of Chinese development assistance

As far as cooperating with China is concerned, it should be kept in mind that there are two distinct modalities of Chinese development assistance¹⁷ that present different avenues for coordination and cooperation.

i) Grants, interest-free loans, and aid-in-kind

¹⁶ Ngaire Woods, “Rethinking Aid Coordination” (GEG Working Paper 66, Global Economic Governance Programme, Oxford University, 2011); Chandy and Kharas, “Why Can't We All Just Get Along?”

¹⁷ There are also other Chinese financing programs, such as export buyers' and sellers' credits, and commercial loans from China Development Bank, that appear to be ODA, but are better considered as “other official flows.” See Deborah Bräutigam, “Aid ‘With Chinese Characteristics’: Chinese foreign aid and development finance meet the OECD-DAC aid regime,” *Journal of International Development* 23, no. 5 (2011): 752-64.

Policy statements and research papers indicate that China intends to shift a greater proportion of its development assistance budget towards grants.¹⁸ Spending in this sector tends to be relatively predictable: support for medical teams, agricultural experts, scholarships and small- to medium-scale infrastructure spending (usually in the education and health sectors). The research team has focused on the potential for technical collaboration in these sectors. Smaller grants are also disbursed at the discretion of the ambassador, with those in the Pacific provided with around US\$50,000 for their three-year term. Because of China's responsiveness to immediate needs of partner governments, grants can also go towards one-off purchases, often as aid-in-kind, such as the MA60 aircraft provided to the Kingdom of Tonga in response to a government-to-government request in 2013.

ii) Concessional loans

Future concessional loans to the Pacific are difficult to predict, as China is traditionally responsive to requests from host governments, whose needs shift over time, and are also influenced by the electoral cycle. One consequence of the emphasis on concessional loans is that China's impact as a donor in each country can vary greatly, according to the loan cycle. As an example, China has been the leading donor in Samoa, in terms of the amount of funds disbursed, from 2010 to 2013.¹⁹ While under the Paris Principles, grants are the preferred mode of aid delivery, it should not be assumed that concessional loans lead to worse development outcomes than grants, particularly for infrastructure projects. Where a project is funded by a concessional loan, the recipient country often has greater leverage in the application of building standards, procurement processes, and the use of local labour.²⁰

The research team focused on identifying large infrastructure projects that hold potential for multi-partner development cooperation. In Papua New Guinea, there are excellent prospects for cooperation on the Highlands Highway. Port and foreshore redevelopment in Apia, Samoa, is seeing interest from a number of development partners, including New Zealand. Tonga's success in securing the 2019 South Pacific Games shifts the focus of its infrastructure aspirations, while critical needs remain in the areas of water, electricity and transport. As much as trends can be discerned from China's 2011 and 2014 White Papers on Foreign Aid, given they are comparing a 59-year period that saw vast political and economic shifts with the three-year period 2010-2012, there appears to be a move away from interest free loans (29.9 to 8.1%), with grants (41.4 to 36.2%) and concessional loans (28.7 to 55.7%) making up the bulk of the aid program.²¹

¹⁸ Xiaojing Mao, "Zhongguo duiwai yuanzhu fangshi huigu yu chuangxin [Reviewing China's previous approach to foreign aid and future innovations]," *International Economic Cooperation* no. 3 (2012): 89-91.

¹⁹ Government of Samoa, *Samoa PFM Performance Report* (draft report, 2013).

²⁰ Graeme Smith, "Are Chinese Soft Loans Always a Bad Thing?" *The Lowy Interpreter* (March 29, 2012). Available online at <http://www.lowyinterpreter.org/post/2012/03/29/Are-Chinese-soft-loans-always-a-bad-thing.aspx>.

²¹ The 2011 White Paper, which covers the period from 1950 to 2009, is available online at http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm, and the 2014 White Paper, which covers 2010 to 2012, is available online at http://news.xinhuanet.com/english/china/2014-07/10/c_133474011.htm.

2. Development Challenges

Below are some of the major development indicators for each country, highlighting the enormous health and education challenges PNG faces, as well as the epidemic in non-communicable diseases across Samoa and Tonga.

Table 2. Development indicators for Samoa, Tonga and PNG

Indicator	Samoa	Tonga	PNG
GNI per capita (US\$)	3220	4240	1790
Population (thousands, 2012)	188.9	104.9	7167
Aid as a percentage of GNI (2010)	16.4	21.3	5.1
Debt as a percentage of GDP (2012)	60.1	39.3	23.6
Life expectancy (yrs, men women)	70 77	65 69	60 65
Projected population growth rate (2012-30)	0.6	0.8	1.9
Delivery care: skilled attendant at birth (%)	80.8	98.4	53
Maternal mortality (per 100,000 births)	58	32.7	250
Risk of NCDs (% obese overweight)	55.5 85.6	68.7 92.1	16.2 48.3
Incidence of malaria (2012, %)	0	0	94
Cases of tuberculosis (2012, all forms)	66	11	22,488
Use of improved drinking water sources (%)	98.1	99.2	40.2
Adult literacy (2012, %)	98.8	99	62.4
Seats held by women in parliament (2012, %)	6.1	3.6	2.7
Internet users (2012, per 100 population)	12.9	34.9	2.3

Sources: UNICEF, Ministry of Finance statistics (various countries)

Other common challenges include:

- Vulnerability to natural disasters;
- Skill shortages across many sectors of the economy, particularly in technical education and health, and in areas crucial for future economic prospects, such as construction, agriculture and tourism;
- Youth unemployment, the rural-urban divide, and related social issues;
- Gender issues, particularly high levels of sexual and physical violence and low levels of political representation;
- Accountability and transparency.

2.1. Samoa

The development priorities and main national development policy for the Government of Samoa (GoS) are enshrined in the five-year *Strategy for the Development of Samoa* (SDS).²²

²² The *Strategy for the Development of Samoa* (2012-2016) is available online at <http://www.mof.gov.ws/Portals/195/Services/Economy/SDS%202012%20-%202016%20ENGLISH%20VERSION.pdf>.

The SDS sets out four priority areas (economic, social, infrastructure and environment) with 14 sector plans.²³ Samoa's UNDP Human Development Index ranking of 96 in the world is one of the best in the Pacific region. Since 1990 its GDP per capita increased by 50% and since 2007 it has had an average GDP growth of four per cent. It is growth that saw the country graduate from least developed country status to a low middle-income nation at the beginning of 2014. Despite significant progress, Samoa still faces challenges that undermine its development, which are outlined below.

Natural disasters. Samoa is vulnerable to frequent and severe natural disasters, such as the 2009 Tsunami and Cyclone Evan, which struck in 2012. These natural disasters were attributed by the International Monetary Fund (IMF) as the main causes behind the slight contraction of the economy in 2010 and again in 2012/2013.²⁴ It was reported that Cyclone Evan was a major cause of the fiscal deficit in 2013, which was equivalent to 11.8% of GDP.²⁵

Economic growth. Unlike other Pacific Islands countries, which may have access to abundant natural supplies of oil, minerals or the fisheries resources of large Exclusive Economic Zones, Samoa's economy is largely dependent on tourism and remittances. According to the IMF, the medium-term projection is for economic growth of around two per cent. However, it is expected to slow further due to the protracted sluggish growth in the global economy, uncertainty about the revival of the domestic agricultural sector and the decline of the manufacturing sector.²⁶ Its geographical remoteness from major metropolitan centres burdens the economy with high transportation costs for its imports, and less attractive prices for its exports. The economic challenge for both government and the private sector is to diversify its narrow-export based capabilities, improve its brand of sustainable cultural and environmental tourism, grow its small domestic market and decrease its heavy dependence on fuel and other imports. Upon accession to the World Trade Organization in mid-2012 and the production of the country's first *Trade, Commerce and Manufacturing Sector Plan*, the Samoan Government has also shown positive indications that it is determined to broaden its export base from an over-reliance on tourism.

Debt. The government has responded appropriately in its recovery and rehabilitation plans for areas hit by recent natural disasters, and provided administrative buildings and infrastructure that will improve the delivery of health and education. However, much of these funds have been in the form bilateral or multilateral loans that have seen the country's public debt increase to its current rate of more than 60% of national income, the highest of

²³ For the private sector and civil society, GoS has support facilities where businesses and NGOs can apply for project funding. The Ministry of Commerce, Industry and Labor administers the Private Sector Support Facility where private businesses can apply for three funding categories to facilitate investment. It receives funding from Australia, New Zealand and UNDP. A quasi-independent body, the Civil Society Sector Program, administers the Civil Society Support Facility.

²⁴ IMF, "Statement at the Conclusion of the IMF Mission to Samoa," news release, April 8, 2014. Available online at <https://www.imf.org/external/np/sec/pr/2014/pr14161.htm>.

²⁵ Government of Samoa, *Samoa: Post-disaster needs assessment Cyclone Evan 2012* (March 2014). Available online at http://www.mof.gov.ws/Portals/195/Aid_n_Loans/SAMOA_PDNA_2012_Web04032013.pdf.

²⁶ IMF, "Statement at the Conclusion of the IMF Mission to Samoa."

the three countries in this study. The concern is that such a high debt rate gives GoS little fiscal room to manoeuvre in times of future natural disasters.

Non-communicable diseases (NCDs). In the last decade, there has been a sharp rise in NCDs, such as diabetes, cancer and hypertension. In part this is a product of a rise in “low-quality” imports and Western diets, and also reflects a shift to a more sedentary lifestyle. Samoa’s health system may have improved immensely since the 1980s, however it continues to struggle in dealing with chronic diseases.²⁷

Social inequality. While Samoa’s politically stable government has ushered in appropriate economic reforms, it has not properly addressed emerging social inequalities. New data shows an increase of 26 to 28% of population in certain areas living below the basic needs poverty line, high rates of youth unemployment and decreasing retention rates in primary school education.²⁸ It is expected in the next 20 years that Samoa’s youth population will increase (unlike the decline expected in many other Pacific Islands), increasing pressure to create jobs for youth.²⁹ Furthermore, there are considerable pressures on the urban Apia centre from unplanned urbanization with a population that has increased by 35% between 1990 and 2001, and 23% of the population is now urban.³⁰ This figure is expected to grow and so will the pressure on social services delivery and infrastructure in the capital.

2.2. Tonga

The *Tonga Strategic Development Framework (TSDF 2011-2014)*³¹ outlines the national development priorities and policies of the Government of Tonga (GoT). Tonga has made good progress towards the Millennium Development Goals,³² with low levels of infant and maternal mortality, high levels of employment, and universal access to primary education. Tonga has major development challenges, particularly on the outer islands of Vava’u, Eua and the Niuaus, where standards of health care and education are well below those on the main island of Tongatapu. Like Samoa, Tonga is highly dependent on the economies of neighboring countries through remittances. In 2007, remittances accounted for 39% of Tonga’s income, which made it the second most remittance dependent economy in the

²⁷ International Development Association, *Samoa: Meeting Emerging Health Challenges* (July 2009). Available online at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:22302530~menuPK:4754051~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>.

²⁸ NZAID, “Samoa development challenges” (2014). Available online at <http://www.aid.govt.nz/where-we-work/pacific/samoa>.

²⁹ AusAID, *Samoa Country Case Study*, AusAID Pacific Social Protection Series: Poverty, vulnerability and social protection in the Pacific (Canberra: AusAID, March 2012). Available online at <http://aid.dfat.gov.au/countries/pacific/rp/Documents/samoa-case-study.pdf>.

³⁰ Ibid.

³¹ The TSDF is available online at http://www.finance.gov.to/publications/tonga_strategic.

³² Pacific Islands Forum Secretariat, *2013 Pacific Regional Mdg Tracking Report*, (Suva: Pacific Islands Forum Secretariat, 2013). Available online at http://www.forumsec.org/resources/uploads/attachments/documents/2013_Pac_Regional_MDGs_Tracking_Report_FINA_L.pdf.

world.³³ The main sources of remittances are the United States, followed by New Zealand and Australia.

Non-communicable diseases (NCDs) are the most pressing health crisis in Polynesia, particularly in Tonga. A 2012 WHO report revealed that 99.9% of the population is at high to moderate risk of NCDs, 92.1% of the population is overweight and 68.7% are obese.³⁴ The only country in the world with higher rates of NCDs is Nauru. According to Ministry of Health data, life expectancy for males actually dropped from 70 years in 2007 to 65 years in 2011. Four of the five major causes of death in Tonga – diabetes, heart disease, stroke and lung disease – are attributable to NCDs, and the burden this places on families, communities and the health system is immense. In response, the Tongan government has made addressing the prevalence of NCDs the main priority in its MDGs Acceleration Framework,³⁵ but Tonga struggles to fund primary-level health care and preventative interventions, the most cost-effective ways to tackle NCDs.

Investment in the private sector is constrained by the high costs of power, water, fuel and telecommunications, and an insurance risk rating that is on a par with Sudan (the last assessment was done in 2006, immediately after the Nuku'alofa riots). They are also held back by access to credit. One private sector advocate argued that:

TDB, ANZ, Westpac together have T\$150 million in liquidity, even though very few have the means to save (most of the money comes from business and loan repayments). The reason is simply that Westpac and ANZ have not adapted the checklists they get from their Australian headquarters to the context of Tonga. When you are asking for collateral, you should take into account that the legal context is not the same. People don't own the land, and they don't have the same pattern of savings. I've pushed them to recognize these cultural differences, but for the managers sent across, they're here for two years, and it's a case of "who cares?" Why stick your neck out to back a T\$20 million factory? Things are just too complex for these expatriate managers.

The lack of credit, high costs and the difficulty in obtaining reinsurance means that several proposed investments – including a hotel, a beverage factory and a recycling plant – are currently on hold, or have been cancelled.

Skill shortages hamper Tonga's small domestic economy. Shortages are acute across all sectors, particularly those that would help in the development of the private sector, such as accounting, IT, and management skills. Sectors that have great potential to grow Tonga's economy are also those with the largest shortfalls, particularly agriculture and aquaculture,

³³ Pita Taufatofua, "Migration, Remittance and Development: Tonga" (Food and Agriculture Organization of the United States, April 2011). Available online at <http://www.fao.org/docrep/field/009/an477e/an477e00.pdf>.

³⁴ Ministry of Health of the Kingdom of Tonga and World Health Organization, "Kingdom of Tonga NCD Risk Factors: STEPS Report" (Suva: World Health Organization Western Pacific Division, 2012). Available online at http://www.who.int/chp/steps/2004_TongaSTEPSReport.pdf.

³⁵ MAF is a methodological framework that offers the government and its partners a way to identify and prioritize bottlenecks to progress MDG targets that are off-track and accelerate solutions to these bottlenecks.

tourism, maritime skills (especially after the closure of the Maritime School), and engineering.

Youth unemployment is a related issue, with youth three to four times less likely to be in work than adults, with the prospects even more bleak for women, the disabled, and those on the outer islands. Although access to education is universal, the standard of primary and high school education varies enormously between government and church schools. Technical and vocational education is difficult to access.

Unemployment and homelessness feed into one of the highest rates of suicide in the Asia-Pacific. In the month prior to our visit, 18 people (out of a population of just over 100,000) took their own lives. Although Tonga is relatively wealthy, issues of homelessness and mental illness are often not addressed, in part due to the degree of responsibility for social services allocated to churches, who set their own priorities. As one church leader explained:

Churches budget for their own work. It's hard for church members to put money towards [homeless people]. Some of the churches even have their own bank. This kind of work, it's the priority of the bible. The churches have their own priorities. The church leaders think that providing for the poor is the role of government. They build their own towers. Getting them looking outside to the community is very new to them. It's not their mindset... For the poor, they think it's the responsibility of individuals, their families and the government.

The needs of vulnerable populations, including the homeless, sex workers and the mentally ill, are currently unmet by development partners, the churches, or the government of Tonga.

2.3. Papua New Guinea

As can be seen from **Table 2**, PNG presents significant challenges for development work. There is space for everyone (development partners and investors), but it is a difficult country to work in.

Governance and security are major constraints.³⁶ These threaten donor and investor interests, the lives of workers, and are costly for development work and investment.

³⁶ See Sadaf Lakhani and Alys M. Willman, "The Socio-Economic Costs of Crime and Violence in Papua New Guinea: Recommendations for policy and programs" (Research and Dialogue Series Working Paper no. 5, World Bank Group, May 2014), available online at http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2014/06/06/000350881_20140606161204/Rendered/PDF/885450NWP0Box3050Policy0PNG06005014.pdf; Sadaf Lakhani and Alys M. Willman, "Gates, Hired Guns and Mistrust: Business unusual – the cost of crime and violence to businesses in Papua New Guinea" (Research and Dialogue Series Working Paper no. 4, World Bank Group, May 2014), available online at http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2014/06/06/000350881_20140606155841/Rendered/PDF/885440NWP0Box30r0no040Costs06004014.pdf.

Government rhetoric on corruption has not resulted in meaningful measures to date.³⁷ Allegations of corrupt dealings involving government payouts, misuse of public funds,³⁸ unscrupulous land deals and bribes to public servants continue.³⁹

Law and order are not maintained by law enforcement agencies, making PNG one of the most unsafe places in the region, particularly for women.⁴⁰ The absence of the State in rural PNG means development partners and investors become providers of services and rural development. Donors and investors can provide for immediate needs but this raises concerns about the ownership and sustainability of projects. PNG's diversity (with over 800 languages) adds complexity to development work and investment. It causes the central government to ignore remote and rural communities, except at the behest of national MPs when development projects may result in votes. Social fragmentation, the fluid nature of clans and tribes, and lack of collective action frustrate the government. This hands-off approach results in government deals over resource development being agreed upon without the full knowledge of those on the ground.

Basic administration barely exists in most rural areas. The central government is far from the rural majority on whose land natural resources are located and who are most in need of assistance. Efforts to enable cooperation among clans and tribes through legal mechanisms have failed. The inability to transform the nation's natural wealth into rural services and resolve rising inequality is an underlying cause of tensions. Social conflicts are shifting from groups (clans/tribes) to involve the State and inadvertently, those providing services (development partners and investors). Growing investment in extractives, perceptions of large capital inflows, expectations of wealth through fair negotiation and distribution, and failure by the State to meet expectations all contribute to the challenges faced by investors and development partners.⁴¹

³⁷ Two ongoing corruption cases are the Paul Paraka case and Special Agricultural & Business Leases (SABLs): <https://pngexposed.wordpress.com/2013/05/21/the-paraka-scams-read-the-archives-download-the-report/>. See also Colin Filer, "The Political Construction of a Land Grab in Papua New Guinea" (READ Pacific Discussion Paper 1, Australian National University Crawford School of Economics and Government, 2011), available online at https://crawford.anu.edu.au/rmap/pdf/Rpapers/2011/READ_PDP1_CF.pdf; Colin Filer, "The Commission of Inquiry Into Special Agricultural and Business Leases in Papua New Guinea: Fresh details for the portrait of a process of expropriation" (paper presented at the International Conference on Global Land Grabbing II, Ithaca, NY, October 17-19, 2012), available online at <http://www.cornell-landproject.org/download/landgrab2012papers/filer.pdf>.

³⁸ See, for example, Sam Koim, "How the Government Contracted with a Dead Entity" (PNG Attitude, March 11, 2013). Available online at http://asopa.typepad.com/asopa_people/2013/03/how-the-png-government-contracted-with-a-dead-entity.html. Mr. Koim is the former head of the now disbanded anti-corruption body, Task Force Sweep, about the awarding of a contract to a deregistered company by the Central Supply & Tenders Board.

³⁹ The 2014 BTI report (http://www.bti-project.de/uploads/tx_itao_download/BTI_2014_Papua_New_Guinea.pdf) ranked PNG as a highly defective democracy soon after political struggles for the leadership in 2011.

⁴⁰ Aid organization Médecins Sans Frontières (MSF) has labeled PNG's sexual and domestic violence a humanitarian crisis, with levels of abuse unique outside of a war-zone or state of civil unrest. MSF estimates that 70% of women in PNG will be raped or physically assaulted in their lifetime. <http://www.smh.com.au/world/study-finds-severe-brutality-against-women-in-papua-new-guinea-20130814-2rv3m.html>

⁴¹ On resource conflicts, see Glenn Banks, "Understanding 'Resource' Conflicts in Papua New Guinea," *Asia Pacific Viewpoint* 49, no. 1 (2008).

Project delivery and investment are constrained by many issues. These include complex landholding systems stemming from ethnically and socially diverse cultural groupings, tribal conflicts and tensions, rugged terrain and remoteness, communication difficulties, incompetent and corrupt bureaucracy, and crime. PNG suffers from low literacy rates and its skilled labour force is limited. With the population projected to increase at 1.9% per year, there are development challenges for training in health and education to meet growing demand. The “youth bulge” and youth unemployment (young people are 2.5 times more likely to be unemployed than adults)⁴² contrast with unmet demand for skilled labour.

Political leadership and public machinery do not always work together. PNG’s recent political stability has brought amicable relations with donors and efforts to forge new partnerships. This should not be confused with consistency in leadership. Some politicians enter into deals with foreign governments outside regular government processes. MPs’ wishes turn into government commitments, such as the Waigani Convention Centre and the UBS loan.⁴³ The latter deal ignored legal requirements including the approval of parliament and GoPNG’s own public financial management requirements. The involvement of MPs has resulted in bungling of deals such as the Highlands Highway announcement, the Lae-Nadzab Road and the Pacific Marine Industrial Zone (PMIZ).

The capacity of central ministries to work with development partners is problematic. DFAT provides personnel and officers under secondment but capacity to deliver projects remains a problem. Constant organisational re-structuring as seen in the Department of National Planning and Monitoring (DNPM) erodes capacity. As experienced in infrastructure projects in the Highlands, DNPM and the Department of Works (DoW) have signed onto agreements but have not engaged in project implementation and monitoring. An appreciation of how the public machinery works is crucial. Co-financing agreements, for instance with DFAT, ADB or other agencies can help to resolve capacity issues in the interim and assist project delivery.

⁴² International Labour Organization, “Papua New Guinea” (Youth Employment Policy Brief, September 2013). Available online at <http://apyouthnet.ilo.org/stats/youth-employment-statistics-in-papua-new-guinea>.

⁴³ For discussion of the UBS loan, see Mark Evans, “The Spirit of Good Governance,” *Pacific Politics* (June 2014). Available online at <http://pacificpolitics.com/2014/06/the-spirit-of-good-governance/>.

3. Current State of Development Assistance

3.1. Samoa

The donor landscape in Samoa is relatively uncrowded, which GoS is content in maintaining. With only nine main development partners, the Ministry of Finance's Aid Coordination/Debt Management Division (MoFAC) can coordinate, monitor, implement and attempt to harmonise reporting of official development assistance (ODA). The major bilateral partners, in order of perceived influence are Australia, New Zealand, China and Japan.⁴⁴ All four countries have resident diplomatic missions and aid offices that coordinate closely with MoFAC. In terms of multilateral donors, the European Union (EU), ADB, World Bank, UNDP and WHO continually engage through the work of their mission offices. The nine development partners participate in a quarterly Development Partners' Roundtable, chaired by MoFAC, which provides a forum for information sharing on projects that are channelled through MoFAC.⁴⁵ The roundtable mechanism allows donors to raise issues relating to implementation and reporting, which MoFAC follows up with line ministries.⁴⁶ There is a Joint Policy Matrix document that is circulated among donors.

Apart from these nine major development partners, Samoa has received bilateral assistance in project budget support, debt cancellation or direct aid from the UK, Canada, UAE, the US, India and Cuba. UN Offices (FAO, UNICEF, UNFPA, UNESCO, UNEP, WMO, UNW and UNV) and Pacific regional organisations – such as the Secretariat of the Pacific Community and the Secretariat of the Pacific Regional Environment Program – participate in the development arena through regional approaches as a means of supporting a large number of small states. Despite the success of some projects, there is a sentiment that the regional approach duplicates some national-level projects and may not align with Samoa's development agenda.

This research found two defining characteristics in Samoa's approach to donors. Firstly, it values and promotes donors as equal partners. There were consistent calls for donors to engage in "sustainable and meaningful partnerships" from the planning discussions up to the monitoring, reporting and completion phases. Traditional donors actively participated in this process. Secondly, whether it be GoS, private sector or civil society, all recipients maintained loyalty to their main donors. Once donors were engaged in a sector, there was uneasiness from recipients if a new donor offered one-off assistance midway through a project. Typically they would shelve the offer for later, or simply refuse to negotiate. If a project's funding came to an end, Samoan recipients would first negotiate with traditional

⁴⁴ Perceived influence in terms of historical and political ties, and amount of funding provided.

⁴⁵ Ideally all nine development partners are encouraged to attend, China is less forthcoming and at times does not attend. The respect is given to China as a major development partner, however from the perspective of GoS, it does not have an aid program. Its status at the Roundtable is as a loan financier.

⁴⁶ There are also sector coordination mechanisms where donors working in a particular sector, such as health or education, meet with line ministries and MoFAC.

donors for continued financing, and if unsuccessful would then seek other sources. Once relationships were established, loyalty from Samoans was assured, as evident in four decades of adherence to the “One China Policy.”

South-South cooperation (SSC) is not a new concept of development partnership in Samoa. Samoa maintains diplomatic relations with countries of the South, and has enjoyed collaborations with India, Cuba and regional projects under the auspices of various UN agencies or Pacific regional offices. Pacific regional projects and especially the Pacific Island Forum government peer review process are excellent examples of SSC and knowledge sharing in the region. In the past five years, the UN ESCAP Office in Bangkok provided support through MoFAC on a range of matters, from green growth to social sector policy analysis. The main SSC partnership in Samoa is with China.

Historical and social ties precede diplomatic relations between China and Samoa. There is a community of third- and fourth-generation Chinese in Samoa, who are descendants of indentured labourers who worked on German colonial plantations in the early 1900s. Their descendants have inter-married with the local population and contribute through substantial businesses, and holding high offices in politics and public administration. Some are active members of the Samoa Chinese Association, whose president holds a parliamentary seat in the ruling Human Rights Protection Party, and was a former Minister of Finance.

Samoa was the first Pacific Island country to establish diplomatic ties with China, in 1975. A mission office was established soon after. The Chinese mission was the second to open in Samoa, after New Zealand and before Australia. Since 1975, Samoa has followed the “One China Policy,” despite overtures from Taiwan which are said to have involved helicopters and briefcases filled with US dollars. The earliest form of Chinese assistance came in the form of sports infrastructure for the seventh South Pacific Games in 1983. From 1990 to 2005, there were ad hoc projects, such as the construction of a community water tank, medical teams, the construction of the main government building (1994) and the Ministry of Women, Community and Social Development Building (1995).

China-Samoa relations were strengthened after the 2006 announcement of debt forgiveness and the creation of the concessional loan facility for the Pacific in the same year. Samoa has received Eximbank concessional loans to construct much needed public buildings such as the Ministry of Justice and Courts Complex (2010), the Tofilau Eti Alesana Parliamentary Complex (2010), Tui Atua Tamasese Government Office Complex (2012), the national hospital in Motootua, the national broadband network (ongoing) and two current projects constructing a Maritime School for the National University of Samoa and a new campus for the Loto Taumafai Disability Society. Grants have supported the construction of two sports complexes (2007), four primary schools (another three are in the pipeline), and renovations to the Women, Community and Social Development Building (2008).

In the area of agriculture, Chinese assistance through the Samoa-China Agriculture Development Demonstration Farm Project continues into its third phase and is popular among farmers. The education sector has received assistance in both infrastructure for

primary school buildings, and grants from the Chinese Ambassador for school furniture. Scholarships for Samoans to study in Chinese universities have benefited many since the program began in 2001; there are currently 64 students studying in China. The health sector has benefited from construction of the main hospital, as well as the continuing work of a seven-member medical team, working alongside local medical practitioners. Chinese health workers have also been part of UNV support teams since the 1980s. In recent years there has been a strong push from the GoS to tap into the Chinese tourism market. There are ongoing negotiations to establish direct flights between the two countries, and expand hotel infrastructure in Samoa.

3.2. Tonga

With only nine main donors in Tonga, the donor landscape in Tonga is relatively small, which is conducive to donor cooperation and coordination. There is considerable Australia-Tonga-New Zealand cooperation, particularly in policing, education and health. In education, Australia and New Zealand have joint technical vocational education and training (TVET) and scholarships programs. Australia works with the World Bank and ADB to deliver infrastructure projects, primarily in the transport and energy sectors. The most influential bilateral partners of the GoT are Australia, New Zealand, Japan and China. The four countries have established resident diplomatic missions in the country and (with the exception of China) have aid offices that coordinate closely with the Ministry of Finance and National Planning (MoFNP).

New Zealand is the main development partner in the education sector, with a focus on policy development and curriculum reform, and it is actively seeking cooperation with other partners in this sector, particularly in infrastructure. It may be looking to reengage with other development partners in the agricultural sector. It is also taking the lead in renewable energy (along with Japan) and private sector support, mainly through the Tonga Business Enterprise Centre. New Zealand has been an important partner in the tourism sector, however disagreement over GoT's acceptance of an MA60 plane from China has led to the suspension of support for the marketing portion of their tourism aid, worth NZ\$12 million (US\$10.4 million) over three years.

Japan International Cooperation Agency (JICA) has historically been heavily involved in the health, transport and energy sectors. Their largest current investment is developing a microgrid system to enhance the uptake of renewable energy in remote areas. JICA has also made some initial steps towards multi-party development cooperation, co-funding projects with ADB. One local government official noted that JICA's cooperation with ADB was a welcome development in learning more about how others conduct development projects in the country, and better understanding local contractors and processes.

In regards to JICA's nurses' training program in Tonga, several interviewees cited an attachment to a "Japanese model" as a challenge for JICA in achieving full effectiveness. In some interviews, respondents said that in their experience the Japanese training program

had mixed results. While the project staff worked very hard, the use of external expertise tended to result in a methodology that did not entirely respond to the needs of participants.

Australia is the most influential donor in Tonga with a long history of political relations. This is supported by a common interest in supporting Tonga's recently established democratic system. Australia is also one of the largest sources of remittances to Tonga, with a growing Tongan diaspora in Australia. Tongans make up 80% of recruits in DFAT's Seasonal Workers Program.⁴⁷ Support to Tonga covers a variety of sectors, including infrastructure, healthcare, capacity building, technical cooperation, governance, environment, sports development and disaster relief. Australian support has linkages to the TSDF, hence projects are focused on priority sectors.

Australia publicly expresses its support for government systems, discouraging companies or NGOs from submitting proposals without the knowledge of the Finance Ministry. Australian programs are also known for their strict reporting requirements. This has been a challenge for some government departments, and the technical nature of public financial management is problematic for smaller nations.⁴⁸ Australia also supports multilateral programs in country, funding UNDP and the World Bank to implement programs. This arrangement is linked with the Tonga Governance Strengthening Project. Australia actively engages with local media, informing the public of the purpose and conditions of their development assistance.

In terms of multilateral partners, the World Bank, ADB, UN agencies (UNDP, UNFPA, WHO) and the EU work through their respective mission offices. A Donor Roundtable meeting with the nine partners, chaired by the MoFNP, is conducted on a quarterly basis. This platform provides an avenue for updates and sharing information on all projects under the management of the MoFNP/Pacific Adaptation to Climate Change (PACC) Programme. The roundtable, which is attended by all development partners, provides an opportunity for donors to question the process, raise implementation issues and reporting matters, which MoFNP and line ministries are obliged to clarify or follow up.

Tonga has close ties with development actors from the global South, including China. Tonga has also enjoyed collaboration with Cuba and India on capacity development programs. In the past five to seven years, the Asian Forum of Parliamentarians on Population and Development (AFPPD) and UNDP ESCAP in Bangkok have provided support through the Legislative Assembly of Tonga and GoT relevant ministries. China and Tonga established diplomatic relations on 2 November 1998, and celebrated the 15th anniversary of formal ties last year. Tonga subscribed to the "One China Policy" when the

⁴⁷ For more information on the Seasonal Worker Program, see DFAT, "Labour Mobility Initiative – Seasonal Worker Program," <http://aid.dfat.gov.au/countries/pacific/rp/Pages/initiative-labour-mobility-seasonal-worker-program.aspx>.

⁴⁸ Tobias Haque, David Knight, and Dinuk Jayasuriya, "Capacity Constraints and Public Financial Management in Small Pacific Island Countries" (World Bank Policy Research Working Paper no. 6297, World Bank Group, December 22, 2012). Available online at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2192835.

relationship commenced, subsequently reflected in the opening of an embassy in Beijing and support at UN, WTO, and other regional and international forums.

Support is based on Tonga's adherence to the "One China Policy" and China assisting Tonga in its commercial and development objectives. The main areas of cooperation are in politics, trade, infrastructure, technical cooperation, healthcare, education, agriculture, fishing, commerce, tourism and culture. Production, manufacturing, and processing of goods for export have recently been identified as essential areas for future cooperation. Several interviewees called for China to take a greater interest in "software," not just for the sake of Tonga, but also for the benefit of its public diplomacy. One interviewee suggested:

Ordinary people feel no direct influence when you give the country a plane [the MA60]. The fellowships are very useful, but in health China can learn from Australia, who do small things that the people understand. Ordinary rural ladies can use netball facilities. But leaders want big things, a milestone, political points, it's my achievement. But how to get to the people's hearts? Why not go to the people's level and do something about NCDs?

Tonga has two major concessional loans with China Eximbank for the Reconstruction of Nuku'alofa CBD Project of T\$119.3 million (US\$57.5 million) after the 2006 riots in the capital, and T\$84.2 million (US\$43.4 million) for the Road Improvement Project in 2010. Details of the loans are provided in Annex 2. Tonga has also received infrastructure support and equipment. GoT also received an MA60 aircraft to support the country's domestic air services. Although the provision of the aircraft has drastically reduced the cost of travel to the outer islands, it has also led to conflict between Tonga, New Zealand and the World Bank, and the suspension of the marketing component of New Zealand's tourism aid to Tonga.⁴⁹ Other grants and in-kind aid are listed in Annex 2.

For human resource development, Tonga has been receiving support with Chinese language teachers, short-term training, and seminars for about 60 Tongan officials annually, along with Chinese scholarships for over 100 Tongan students since relations were established. The China-Tonga Agriculture Demonstration Farm Project commenced in 2001, and is now in its third phase. The project covers programs from raising poultry to producing taro flour and noodles. The most recent project to be approved is the Government Centre (St. George Complex), which is set to commence this year. Another project in the pipeline is the Tonga High School multi-purpose venue, which will serve as a stadium for the 2019 South Pacific Games. Loan projects in Tonga differ from those elsewhere, as a significant amount of local ownership was negotiated, although not always to great effect, as one interviewee recalled:

When we came to the Tonga High School, [because of concerns about construction quality] we asked that it [local ownership] be 50/50. And they agreed. But we encountered a problem. The Chinese were complaining. Their workers, they work, taking only 20 minutes for tea break, and then half an

⁴⁹ "Tonga keeps MA60 despite NZ warning," *Islands Business*, June 5, 2014. Available online at <http://www.islandsbusiness.com/news/tonga/5479/tonga-keeps-ma60-despite-nz-warning/>.

hour for lunch, and then same in the afternoon. If they do overtime, they go away for a meal, and then they come back and do another four hours. Our Tongans, when we pushed them to work, they were very disappointing. If they have a smoke, it takes them half an hour, and if they take lunch, it's more than an hour. And when they are working, they talk more and work less. You see how we contradict ourselves. Our very own undermine the government efforts. If they were good workers, we could do more. You see, when this happens, it affects the timeframe, and even the quality of workmanship. When we did the reconstruction, we did try one building with just Chinese, and it was completed well ahead of schedule, and there were less defects. But the ones that were 50/50, big problems and time delay. If we are to demand more employment opportunities for Tongans, we have to match their capacity, because otherwise, you would be a fool contractor to take on the risk.

The public generally does not understand the types of assistance, purpose and conditions of Chinese aid. This is largely due to inadequate public information. Neither the GoT nor the Chinese Embassy has made an attempt to bridge the gap between the government and the citizens on what China's assistance entails. The media contributes to confusion about China's assistance, failing to report the distinction between grants, loans and impromptu projects. The lack of transparency in the reporting of Chinese development assistance contributes to the public perception that every arrangement with China has tight conditions. From interviews and site visits, it was clear to the team that the quality of buildings constructed with grant aid was generally inferior in comparison to those built with loans. Even when buildings are cleared by the GoT architect, the public assumes the buildings are not safe, just because the contractors are Chinese.

While Chinese representatives regularly attend the donor roundtable, there have been difficulties in mainstreaming Chinese aid through government systems, as a finance official explained:

I've tried to bring China in, that's my responsibility. We've sent many written requests to the Embassy to find out how much they have disbursed, and have asked for their forward aid plan. There's been no communication in return. We've have sent letters, followed up, no luck. Another issue is that the Paris Declaration encouraged untied aid, and this is a difficulty. They are just doing deals on their own. Their reporting on these deals is very weak. Most Chinese ODA is in kind: equipment, no cash that passed through our treasury. Projects do not come through Finance, as they should, but are signed off on a high level, the prime ministerial level. The PM and deputy PMs meet with them, or the contact person will go straight to the minister. I can't recall a time when they have come directly to Finance. I'd like to see more dialogue, not necessarily face-to-face, replying to letters, on the phone, email is fine. The lack of information means that it is very hard to slot Chinese aid into the budget.

3.3. Papua New Guinea

PNG's existing donor cooperation is extensive and includes partnerships with Australia, Cuba, Japan, Great Britain and New Zealand, among others. Australia, given its historical legacy and therefore expectation, plays a leading role in the country's development. PNG-Australia cooperation is multi-layered with aid delivered through all levels of

government (national, provincial and local-level), as well as through private partnerships and managing contractors. The latter partnership involves technical and infrastructure services. Private partnerships with NGOs have seen effective delivery of essential services in health and education to remote and poor communities. Australia-PNG cooperation includes agencies of the United Nations, World Bank and ADB in health and infrastructure. China and Australia are developing a trilateral cooperation project on malaria control. The objective of the investment is to increase the quality of malaria diagnosis in the PNG health services. They will be looking to strengthen the Institute of Medical Research (IMR) of PNG and the functioning of the Central Public Health Laboratory. The China National Institute of Parasitic Diseases in Shanghai will be Chinese technical partner for the project, and will coordinate provision of technical experts to the project. This investment represents a new way of Australia and China working together in a third country jointly to address a regional development priority.

PNG-New Zealand donor cooperation takes a similar approach and works through government as well as private sector partnerships, covering education, and rural economic development. In collaboration with Australia, New Zealand Agency for International Development (NZAID) has previously supported the work of Save the Children Fund in its efforts to improve health sector systems and service delivery in East Sepik. The Bris Kanda project is an example of donor and community-based group collaboration, which uses funds from NZAID and local knowledge to support the improved livelihoods program (agriculture and aquaculture) with smallholder farmers.⁵⁰ NZAID, like DFAT, works in Bougainville restoration programs.

Aid from Cuba is at an early stage, but is a direct result of the chronic shortage of medical staff. Oro Province has recently brought in Cuban doctors to assist in the province. The PNG-Cuba Doctors' Initiative, proposed in 2008, included training opportunities for PNG nationals to be paid by Cuban Government as well as supplying Cuban doctors to work in rural areas in the country at the expense of PNG Government. Politicians and the Department of Health through its former Department Secretary initially welcomed the proposal. Despite the efforts at negotiating a deal between respective health ministers and Cuban Government representatives, the initiative is likely to be delayed as the national doctors are unwilling to support the initiative and have raised concerns that may delay or prevent this from becoming a national initiative.⁵¹

JICA provides assistance in two ways: through partnerships with other donors and through volunteer services that cover education (in maths and science), agriculture and community and rural development. JICA has collaborated with Australia in the transport sector, as seen in the road and bridge building project in Bougainville, and with ADB and the World Bank

⁵⁰ For information on projects by Bris Kanda see <http://www.briskanda.org.pg/projects.html>.

⁵¹ The National Doctors' Association raised the language barrier as an issue but the Cuban Doctors' initiative has spread to other parts of the Pacific. Joel Negin, "Cuba in the Pacific: more than Rum and Coke," *Devpolicy Blog from the Development Policy Centre*, February 24, 2012. Available online at <http://devpolicy.org/cuba-in-the-pacific-more-than-rum-and-coke-2-20120224/>.

in the energy sector for Port Moresby's power supply. JICA's volunteer program⁵² is one-of-a-kind and is facing challenges from PNG (security and housing costs) and Japan (lack of interest among young people), but it has long filled a niche in skills training.

PNG's multilateral partnerships cover a number of GoPNG's priority sectors (transport and roads/ports, energy, climate change, rural sector agriculture, and private sector investment) including the World Bank and IFC, ADB and the EU. GoPNG partnerships through UN agencies include UNDP, UNICEF, UN Women and UNHCR. The efforts of UN agencies are mainly through local NGOs, women and church groups.

China-PNG trade relations go back to 1960 and the establishment of diplomatic relations to 1976. Since then, a number of trade cooperation agreements have enabled a steady rise in trade and investment. PNG is China's second largest sources of timber imports. PNG imports almost all of its electronic goods, textiles, toys and machinery from China.

China has supported PNG through economic and technical assistance since 1976; the first major project was an interest-free loan to build the Sir John Guise Stadium for the 9th South Pacific Games in 1991. The Waigani Convention Centre, whose construction was disrupted last year, is China's largest grant-aid project in the Pacific to date. Under the 2006 Concessional Loan Facility to the Pacific, four projects have been supported: PMIZ (US\$31 million), University of Goroka student dormitories (US\$43 million), the Integrated Government Information System (US\$53 million) and the Community College project (US\$35 million). Ongoing grant-based projects include the provision a 10-member medical team to Port Moresby General Hospital (since 2003), a scholarship program, and the Hagen agricultural technical cooperation program, which has been running since 2007. A previous phase focused on Eastern Highlands, and led to the successful dissemination of dry-land rice and mushrooms.

PNG is the largest recipient of Chinese aid in the Pacific. In 2009, this constituted 58% of China's total aid to the region.⁵³ Despite this level of support, China's low profile in public and cultural diplomacy, language barriers, and gossip fuelled by the blogosphere all contribute to misconceptions about China's ambitions in PNG. A 2008 Lowy Institute paper, "The Dragon looks South: Chinese Aid and Investment in PNG" had a lot of impact in the blogosphere⁵⁴ and Chinese interventions are characterised as "sinister" by some scare-mongering commentators.⁵⁵

⁵² More information on JICA's volunteer program in PNG available online at http://www.jica.go.jp/png/office/ku57pq000004dugv-att/PNG_Pamphlet.pdf.

⁵³ Philippa Brant, "Chinese Aid in the South Pacific: Linked to Resources?," *Asian Studies Review* 37, no. 2 (2013): 158-177.

⁵⁴ See, for example, <http://garamut.wordpress.com/2008/08/25>.

⁵⁵ See, for example, <http://www.pngblogs.com/2012/09/k6-billion-chinese-loan-sinister.html>.

China sees its development assistance to PNG as SSC. However, the practices of some Chinese SOEs in the country bring this into question. When Chinese contractors make limited use of local workers, or all materials and machinery are brought into the country, this is seen as Chinese money returning to China.⁵⁶ More experienced SOEs, such as COVEC PNG's road crews and the China Harbour's Lae Port project use local labour,⁵⁷ but are seen as exceptions. The use of local Highlanders on the road projects means COVEC can work without the problems local contractors face when they bring labour from elsewhere in PNG.

Across all projects, language is a barrier. Several interviewees attributed the lack of assimilation by Chinese workers and migrants in PNG to language and communication problems,⁵⁸ which means they are unable to establish connections with locals. This lack of connection with Chinese nationals means that they are targeted by criminals, as seen in the attack on the Waigani Convention Centre.⁵⁹ Anti-Asian sentiments have led to loss of life, with Chinese shopkeepers often targeted.⁶⁰ In May 2009, there were nationwide anti-Asian riots.

Several interviewees noted that China's current project-based approach does not result in continuity and sustainability. The alternative is a programmatic approach to aid delivery. This would enable longer-term association and better understanding of government systems and local impediments to project delivery. The government of China's focus on state-to-state engagement limits the delivery of aid due to the inadequacies of national agencies and precludes local level and on-the-ground interaction. Chinese companies, on the other hand, go to parts of PNG that other foreign contractors avoid, such as remote Highland regions, which is a welcome development in the construction sector.

There are some within the development community who see the national government as an obstacle to development. According to this view, national government staff tend to use donor projects as means to hoard opportunities for training and international exposure. Many interviewees expressed a preference for engagement at the provincial and local level. Port Moresby-based officers, including national and foreign consultants, do not often get to project sites. The comments below reflect the views of many:

Australia should not run projects. You've got your own standards; fancy vehicles. When the funding comes in, it draws away ownership. But they have been very successful with some infrastructure

⁵⁶ For example, the employment of Papua New Guineans at one construction site in Port Moresby is limited to wheelbarrow pushers and security guards. One interviewee stated the GoPNG allows unskilled Chinese workers to be listed as "specialists."

⁵⁷ According to one interviewee, 500 local labourers were hired for the Lae Port Project.

⁵⁸ Graeme Smith, "Beijing's Orphans? New Chinese Investors in Papua New Guinea," *Pacific Affairs* 86, no. 2 (2013): 327-49 has a detailed discussion of China-PNG relations.

⁵⁹ The Chinese workers brought over by Jiangxi International Co. were robbed and assaulted on consecutive days in July 2013, and soon left the country. China Railway Company (CRC) took over the project in February 2014.

⁶⁰ Fei Wang, "Four Chinese killed in PNG stabbings," *Global Times*, June 27, 2013. Available online at <http://www.globaltimes.cn/content/791963.shtml>.

projects in PNG. The contractors that Australia uses are driven by money, but instead they should be putting their money through an existing organization. The consultants come in, interview a community leader, but they never take the time to watch the community.

In contrast to China's state-to-state engagement, Australian, EU, Japanese and New Zealand aid, have enabled direct assistance to communities through local groups, including churches, women's groups and NGOs. Some provincial governments, including East New Britain, Eastern Highlands and Milne Bay have been recognised as having better management systems and receive aid directly. Bougainville also receives direct assistance from various donors.

The perceived shortcomings of traditional donors include rigid and complex requirements (the EU was often mentioned), and the top-down approach of bilateral donors such as Australia and New Zealand. While some prefer Australia's direct engagement, others believe its assistance is spread thin, and does not achieve significant development goals. Accusations of "boomerang aid" levelled at Australia are not limited to locals. Other development partners saw the practice of using foreign consultants to run programs as a problem in building local capacity.

One Papua New Guinean investor representative compared Australian and Chinese methods:

Australian contractors are seen to have better understanding of PNG, but Chinese contractors work harder. Chinese contractors will typically do the design and the engineering, but in Australia this tends to be separated. Australian managers don't necessarily know what is going on though, because they tend to be FIFO [fly in, fly out]. Chinese managers, even the very top ones, will spend months in country.

4. Unmet Development Needs

In Tonga and Samoa, with relatively small economies far from major markets, interviewees acknowledged that the question of how to grow their economies would always be there. The difficulty in accessing finance was identified as an important constraint, due to the difficulty potential lenders had in raising collateral in countries where the land was traditionally owned. There was mixed support for the development of revolving credit schemes to address this issue.

In both countries, the seasonal workers programs of Australia and New Zealand were recognised as crucial, supported by technical education in country. Others noted that the potential of the underwater cable, recently connected with Tonga, was not being realised. As one private sector advocate noted:

Tongans should focus on what they are good at, such as a data centre and call centres. Tongans are warm, friendly and speak English with very little accent. The time zones are perfect for Australia, New Zealand, and Europe. Eua and Tongatapu are already connected to the cable, and they are in the perfect position to provide servers for Google or anyone else. It would cut milliseconds, but in business terms this is significant. Tonga has the room, and the skills.

4.1. Samoa

The research team found four main sectors in Samoa that have potential for multi-party development cooperation:

- Health and education infrastructure;
- Building an export base in agriculture and aquaculture;
- Economic and administrative infrastructure;
- Tourism.

Our interviewees acknowledged the emerging challenges in development that Samoa faces. These challenges are less about poverty alleviation, but more on economic opportunity and how to address emerging social inequalities. To overcome this, they emphasized the importance of development partners and their contributions through aid, grants and loans. However, the challenge they continually face with donors is aligning their changing development priorities with the country's needs. This frustration as one high-level official stated, "it seems they (donors) don't want us to succeed."

The following four areas of development needs are those identified by respondents as not only unmet challenges, but also potential opportunities for durable partnerships and successful development case studies. The focus is not on working in new areas, but finding complementarities between development partners, and supporting industries that will sustain Samoa's development.

i) Health and education

The high rates of non-communicable diseases (NCDs) in the country have become the top national health priority. Currently the Ministry of Health and civil society are pursuing a nationwide NCD prevention awareness program, however the Ministry of Health still requires assistance in its health delivery service to cater for an NCD-afflicted population. The health sector plan and the Sector Wide Approach (SWAp) in Health for Samoa puts forth a comprehensive plan of the country's health needs.⁶¹ There has been considerable work in health infrastructure, however there is dire need for more medical teams and attention to inequality of access to healthcare in rural areas. Another health area identified for assistance has been the up-skilling of current medical staff and upgrading of laboratory diagnostic capabilities.

The *Education Sector Plan* sets out a comprehensive plan for GoS and development partners to improve education and learning outcomes. There is room for more development partner engagement in teacher training, and short-term technical assistance. Of high importance in terms of teacher training and curriculum support are science and mathematics. GoS is encouraging introduction of TVET into the secondary school curriculum. Although not stressed in the sector plan, discussions with education officials indicates that there is a need for more assistance in building new education infrastructure and rehabilitating existing primary and secondary schools, particularly those affected by recent natural disasters. This includes the need for the provision of school furniture. The free education program supported by New Zealand and Australia has been successful, and there is a call for this to continue with more donor participation in the funding pool.

ii) Developing an export base: Agriculture and aquaculture

Samoa's negative balance of payments is a result of increasing reliance on imports and a dwindling export base. The government has intervened through import subsidies, but this mechanism is not healthy for the economy in the long run. With limited natural resources to feed its exports base, Samoa's *Trade, Commerce and Manufacturing Plan* aims to reinvigorate the agriculture sector, both horticulture and aquaculture, and increase exports through a value chain approach.⁶² The respondents identified agriculture's main challenges as:

⁶¹ For an evaluation, see Philip Davies, "Evaluation of Samoa Health Sector Management Programme (Health SWAp)" (Canberra: AusAID Health Resource Facility, May 21, 2013). Available online at <http://aid.dfat.gov.au/countries/pacific/samoa/Documents/samoa-health-swap-evaluation-2013.pdf>.

⁶² Government of Samoa and UNDP, *Trade, Commerce and Manufacturing Plan 2012-2016: Background Information and Situation Analysis*, ed. Ellen Meleisea, 2 vols., vol. 1 (Apia: Ministry of Commerce, Industry and Labour, 2012), available online at <http://www.mcil.gov.ws/ftcd/tradeSector/Trade%20Sector%20Plan%20Vol1.pdf>; *Trade, Commerce and Manufacturing Plan 2012-2016: Interventions and Results*, ed. Ellen Meleisea, 2 vols., vol. 2 (Apia: Ministry of Commerce, Industry and Labour, 2012), available online at <http://www.mcil.gov.ws/ftcd/tradeSector/Trade%20Sector%20Plan%20Vol.2.pdf>.

- Fostering import substitution through diversification;
- Encouraging more small-scale farming, technical cooperation and dissemination of knowledge to farmers;
- Re-invigorating the fishing industry.

The agricultural sector has faced many challenges that have led to its gradual decline since the 1990s. The fall in the global prices of Samoa's main exports, copra and fish, natural disasters, the taro leaf blight that destroyed the taro export market, and the kava export ban in Europe and Australia have all led to many farmers leaving the industry. Current agricultural output does not even meet local demand, with many retailers and the hotel industry having to import fruits and vegetables. There continues to be a constant struggle to secure overseas markets for local produce. However, once an international market has been identified, there is a subsequent struggle to meet its supply. This is evident in the organic farming industry, where civil society have been able to find exclusive markets, such as *The Body Shop*, but find it hard to meet the monthly supply targets for virgin coconut oil.

Respondents identified the need to diversify and focus on niche markets. There have been many organic farming success stories in Samoa, which leads regional efforts for Pacific organic standards. Some players in the international organics market have taken to the idea of buying fair trade products from small island countries in the Pacific, to directly benefit small family farms. GoS has put their weight behind the organic initiative, as a way of developing multiple small farms and in the future moving towards an organic certified country. In diversification, there is a push for farmers to grow more crops other than taro and coconuts. Demonstration farms that showcase the array of crops that can be grown in Samoa (which are usually imported, such lettuce and rice) play a pivotal role. As one official commented, "the challenge for Samoa is that we haven't made the most of their [Chinese demonstration farms] expertise, there hasn't been enough outreach to the rural areas... [for] greater involvement from farmer groups."⁶³ In aquaculture, there are plans in developing fish hatchery farms in Asau Harbour. The establishment of the Scientific and Research Organization of Samoa (SROS) in 2006 is also a step to identify key products with export potential for Samoa.

iii) Economic and administrative infrastructure

Infrastructure is another top priority and development challenge for the country. Serious shortfalls exist in economic, administrative and telecommunications infrastructure.

While there is a high percentage of telecommunication penetration and road access throughout the country, the country struggles to maintain them. This is a result of poor workmanship, weathering or natural disasters. One of the most constant infrastructure gaps

⁶³ For an analysis of donor and government efforts to date in agriculture, including the World Bank's Samoa Agriculture Enhancement Project, see Afamasaga Tole'afua, "Changing Farmers Mindset Only One Part of Agriculture Equation," *Samoa Observer*, December 29, 2013. Available online at <http://www.samoaoobserver.ws/opinions/8668-changing-farmers-mindset-only-one-part-of-agriculture-equation>.

has been the state of Samoa's bridges. Road maintenance continues to be a sore point during and after the rainy seasons, when potholes appear everywhere. Samoa enjoys 98% mobile phone coverage. A partnership between UNDP and UNCDF with the Central Bank in Samoa and the DIGICEL Mobile Money Program was launched in Samoa in 2011 and aims to increase financial literacy among rural populations and make it easier to access financial and social services through mobile phones. There is a need to develop the country's broadband infrastructure to connect with the world at a faster, cheaper rate.

There continues to be a demand for work on school buildings, rural district hospitals and administrative buildings. According to the Ministry of Education, there remains a long list of primary and secondary school buildings awaiting construction or renovation. Only China has been forthcoming to support the requests of GoS for assistance to construct administrative and sports buildings. While the government is aware of its high public debt (much of it accrued by previous administrative and economic infrastructure projects) there are further plans to build. In the pipeline is a larger trading port at Vaiusu Bay, adjacent to the manufacturing zone, and more government office buildings to house its large public service. It is argued that if Samoa is to develop its export base through agriculture or manufacturing, it needs to have more infrastructure to support this, building on previous efforts with multilateral and bilateral donors.

iv) Tourism

Samoa is heavily dependent on income from tourism, which accounts for more than a quarter of its GDP. The significance of the sector requires attention in development plans. While the industry is driven by private businesses (with a high percentage of local small owned hotel ventures), there are certain projects where development assistance that can further enhance its growth. One area is the proposed waterfront development, with the aim of "enhancing the ambiance" of the capital city, Apia, which is favored destination of cruise liners. New Zealand has been interested in supporting the venture, however it requires more partnerships through donor support or private investment. Needless to say, there is a high demand in the tourism sector to reach the Chinese market. The industry has identified the need for direct flights from mainland China to Samoa; currently few Chinese tourists go beyond Fiji.

4.2. Tonga

The research team identified three main sectors in Tonga that have potential for further investment on the part of emerging and traditional donors:

- Technical and vocational education training (TVET);
- The health sector, particularly in addressing the NCD epidemic;
- The export market, particularly in agriculture and fisheries.

Several interviewees forcefully expressed the view that Tonga was in need of less, not more, development assistance. As one interviewee argued:

There's too much of an emphasis on government. They all talk about strengthening the private sector, but nothing comes out. And the donors bring in their own people. It's a joke. Around 4,000 to 5,000 people work in the Tongan government. The private sector can never get any Chinese aid, or assistance – even the scholarships and training only end up training more government staff. They [the donors] kill the incentives for Tongan people. You end up depending on aid for the rest of your life. Aid actually kills the private sector. There probably shouldn't be aid. Why does nothing happen? We're such a small country, and millions come in. Our government spends [T\$]200 plus million [US\$106 plus million] per year, of which [T\$]25-30 million [US\$13.3-15.9 million] is in budget support. Now we have a whole lot of buildings [after the Nuku'alofa reconstruction] and no one living in them.

The research team found that training and capacity building largely targeted the government sector, although Australia and New Zealand are working with ADB⁶⁴ and IFC/World Bank to improve access to finance, make it easier to register a business and promote the use of mobile banking services.⁶⁵

i) Technical and vocational education training

There is considerable scope for supporting the private sector through the Tongan Chamber of Commerce, the Growers' Federation, and smaller bodies related to tourism, such as the taxi industry, the whale-watch industry, or the Tour Guide Association. Some progress has been made – it is now much easier to register a business. However, as Tobias Haque of the World Bank and others have argued, countries such as Tonga have small economies, far from other markets, and as such are unlikely to ever have thriving private sectors. The key is for Tongans to have access to markets with more vibrant private sectors, such as Australia and New Zealand. Moreover, they need skills to obtain employment in these countries, through either their seasonal workers programs, or as migrants.

The unmet needs in the TVET sector are manifold. They include a lack of skilled teachers/trainers and no knowledge of whether existing training programs work or not. There is a lack of support for TVET in sectors that are crucial to building Tonga's economic resilience, such as agriculture, tourism and fisheries, the decline in training standards (the Maritime School is prime example) and a lack of communication with employers in Tonga and abroad. Improving the skills of those working overseas will help to preserve and grow remittances over the long term. Australia and New Zealand are engaged in the sector, but GoT is looking for other donors to become involved.

Much like PNG and Samoa, the training facilities available, from primary school upwards, are a large and unmet development need. As one development worker noted, when asked about China's focus on infrastructure:

⁶⁴ For details of ADB's Pacific Private Sector Development Initiative see <http://www.adb.org/offices/pacific/pacific-private-sector-development-initiative>

⁶⁵ Despite this critique, Tonga ranks 57th in the IFC's Ease of Doing Business Index, higher than Samoa (61), China (96) and PNG (113).

Our country doesn't have any money for infrastructure, and schools are absolutely terrible, especially on the outer islands. Leaking roofs, no equipment, they're not even suitable as places of refuge during natural disasters.

There is great scope for development actors to work together in providing education infrastructure, particularly on the outer islands.

ii) *The health sector*

As outlined above, Tonga's most pressing health need is in the area of NCDs, which are leading to a sharp decline in the life expectancy of Tongans. One expatriate doctor, who has worked in Tonga for more than three years, outlined some of the needs in the health sector:

One amateur ENT (ear, nose and throat) doctor, who is over 70, is still working because there is no one to replace him. There are only about 50 to 60 doctors in Tonga, which is far from enough. There are only a limited variety of medicines available, which cannot meet most basic medical needs. Some basic medicines cannot be found in Tonga. Many devices are decades old and obviously out-dated. Even though the Tongan Government provides free medical services to its citizens, because of a shortage of medicines (especially expensive ones) and medical equipment, many diseases cannot be cured. Patients suffering hypertension, cardiac diseases, rheumatism and other diseases need to be treated in Australia or New Zealand, or be left uncared for, "leaving it to God." There is a shortage of basic medical equipment. There are not enough machines for type-B ultrasonic, X-ray scanning, etc. In 2009, a minor earthquake hit the islands, and many medical facilities were damaged. Apart from a lack of medical equipment, there are not enough specialists to operate them. For instance, there is one X-ray machine on Vava'u, but not one specialist to operate it. Tonga has the best hospital in the Pacific, excluding New Zealand and Australia, but without specialists. Many medical facilities are sensitive and need constant maintenance.

Doctors in specialised fields are stretched, particularly in surgery, mental health, ophthalmology and ENT. The outer islands lack even the most basic medical equipment, such as X-ray machines or ECG (electrocardiography) scanners. Where equipment has been provided, the lack of technical support for maintenance reduces its impact. Patient referrals to the main island consume much of the MoH budget, because basic health care cannot be accessed in remote areas.

Other interviewees saw the potential for health interventions beyond the established areas of providing personnel and equipment. One health expert noted:

The Chinese can have an impact, for example in agriculture. Providing more seeds, introducing new technologies to make beneficial foods, such as broccoli, more readily available. These things can also earn money, and the Ministry of Finance can subsidize them to make them more affordable. [There is scope for] training in home gardening of fruits and vegetables, cooking classes and recipe books to enhance palatability and thus uptake of the new vegetables into the Tongan diet. Getting Tongans to eat vegetables won't be easy. If you change from taro and beef to seafood, staff will complain that

they aren't full. There's a long way to go. Vegetable dishes in restaurants are cheaper, but they still won't order them.

Other low-cost preventative approaches include supporting physical activity such as sports and gardening, and improving diets by promoting healthy menus for households.

iii) Exports

Aquaculture. There is great interest in sea cucumbers, but grave doubts about its sustainability. The Ministry of Agriculture, Fisheries and Forestry (MAFF) have a Sea Cucumber Management Plan, but lack the capacity to monitor and enforce it. Even with a seasonal moratorium on the harvesting of sea cucumbers in place, the exports continue. Nearly all of the harvest leaves the country as the raw product, meaning only ten per cent of the retail price ends up in Tongan hands. GoT is struggling to maintain stock, because once supplies collapse, the fishery will take years to recover (as was the case in PNG, where the fishery is due to reopen next year, after a ban was imposed in 2009). There are also concerns around safety,⁶⁶ the lack of revenue the sea cucumber industry generates, and the lack of community benefit. Often Chinese private investors bring their own workers, and the licensing fee is the only revenue raised (currently set at a meagre T\$10,000 or US\$5,400 per year). At present, the industry costs the government money, because they need to hire staff to monitor it. Support in the form of skills transfer in sustainable aquaculture, and to add value to these exports, is desperately required.

Horticulture. DFAT's Horticulture Market Access program, which is running in five Pacific Island countries, was lauded in Samoa and Tonga as one of the top performing aid projects. It has helped Tonga get its watermelons and butternuts to New Zealand on a large scale, and effectively addresses technical and policy issues which had hindered access to the New Zealand market. On the extension side, Tonga has struggled to find donor support, which several interviewees attributed to a number of failed projects. The Chinese agricultural technologies (duck raising, piggeries, mushrooms, green vegetables) were commended as appropriate, low cost, and relying on local raw materials with a low amount of chemical use. However, technical transfer beyond the farm has been limited, reducing the benefits from these new technologies, and possibly exacerbating rural inequality, as only well-connected farmers can access them. As one MAFF official noted, in comments that could also be applied to the demonstration farm in Samoa:

The solution is to designate senior staff to look after the extension. At the moment, MAFF have junior staff working with the Chinese. These are not the right people to disseminate skills to others. We put technical staff in place – one in the piggeries, one with the vegetables – but we need someone senior to report, document and communicate more with the Chinese experts. On the Tongan side, another issue is the large turnover of staff at MAFF. It's hard to get your hands on any project documents relating to the Chinese agriculture program... It's also important to get technical staff and

⁶⁶ Concerns surround the safety of Tongan divers, many of who are poorly trained and equipped. During the month prior to the research team's visit, four divers were reported to have drowned.

farmers more involved in the planning, implementation and monitoring. A more participatory approach to the training of stakeholders, and more emphasis on publications (leaflets, fact sheets, posters) and demonstrations would help. We need to collect all of these ideas, but in Vava'u and on Tongatapu, the Chinese agricultural technicians are based at the research stations. The one on Tongatapu is really hard to find. Community-based farming would be better, because at the moment the projects stop at technical development.

As in all three countries, there is scope for another development partner to assist in the dissemination of new technologies introduced by Chinese experts.

4.3. Papua New Guinea

The research team identify found four main gaps where multi-party development cooperation would be suitable:

- Health and education infrastructure;
- Rebuilding a reliable medical supply system for remote, rural areas;
- Transport and energy infrastructure;
- Training in the health and education sectors.

Unlike Samoa and Tonga, PNG has not made significant progress towards the Millennium Development Goals, and is not on track to meet any of them by 2015. Years of inadequate basic government services and lack of rural development means a large portion of the country's population has missed out and continue to miss out. Health and sanitation, education and the training of skilled workers are crucial areas that are possible gaps for development cooperation.

i) Infrastructure: Health and education

There is enormous demand to bring back basic social services, build rural infrastructure and facilities including health centres and aid posts, classrooms, and accommodation for workers. The majority of the country's population, who live in rural areas, continue to use dilapidated remnants of pre-independence (prior to 1975) buildings which have no government budget allocations to maintain or rebuild.

Health and education training demands are unmet partly due to lack of infrastructure and facilities but also lack of budgetary allocation for maintenance. Health training institutions are run by churches, which have limited resources to cater to the demand for a skilled workforce.

The Lutheran School of Nursing in Madang, visited by the team, provides training for midwives and nurses. DFAT helped with a PGK1.9 million (approx. US\$700,000) refurbishment of facilities (lecture room, computer lab, clinical lab, staff offices and accommodation for lecturers). However, there is still a shortage of student accommodation,

with male students living in a fire-prone and leaking dormitory. In some ways this school is microcosm of the shortfall in medical workers' training needs throughout PNG.

The DoH's rural-services delivery plan for replacing 18,000 aid posts with 600 community health posts in nine provinces⁶⁷ (supported by Australia, ADB and GoPNG) will see a midwife in each post and immunisation and health promotion services. The need for training infrastructure for nurses, midwives and community health workers is acute.

This leaves the national level unattended. As PNG's main tertiary health care provider, the Port Moresby General Hospital is unable to provide the required level of health services due to lack of facilities. The CEO of the hospital stated:

The hospital has been neglected for maintenance; there's been a lack of funding and drive. There are even cracked water pipes under the Radiology Department, creating a biohazard. The poor state of infrastructure deters staff; it's not appealing to work in a building that's falling apart.

Even with the government budget allocation of PGK30 million (approx. US\$12 million) (of the PGK100 million requested), the hospital lacks basic facilities such as beds. The CEO continued:

Many wards have been untouched for 40 years. There are cracked floors; much of it is a sad cesspit. 14,000 women go through the maternity ward each year. The building is a fire hazard that is ready to fall over. There are only 160 beds for children. There are four operating theatres, and only two in obstetrics and gynaecology. Of the eight beds in ICU, only five are used, because of a shortage of qualified nursing staff.

The hospital does not have vital machines such as CT, MRI or PET scanners. The hospital needs to set up an Electronic Medical Records (EMR) system. The CEO recognises the limited use of IT within the health system but setting up an EMR system will help with narcotic administration (addressing the issue of people going from chemist to chemist, getting as many prescription drugs as they like) and in monitoring the spread of diseases such as tuberculosis.

A number of hospitals are meant to offer clinical training to postgraduate students in medicine and health studies. Clinical specialists training programs in country (as opposed to the past practice of overseas training) provide training that is specific to the needs of PNG. These hospitals require proper training facilities and specialists but are not supported by government budget allocations. For instance, Modillon, the main Madang provincial hospital, is nominally a training hospital but is unable to offer the required training to the rural health extension students from the Divine Word University or the nursing and midwifery students from the Lutheran School of Nursing. The hospital is poorly resourced

⁶⁷ The Rural Primary Health Services Delivery Project lists eight provinces (16 districts) as target areas. These are Enga, Western Highlands, Eastern Highlands, East Sepik, Morobe, Milne Bay, West New Britain and Autonomous Bougainville Region. See <http://www.rphsdp.org.pg/about.php>.

with open hospital wards, no training facilities and is not built to cater for patient-trainee needs (for example partitioned rooms to enable privacy). As a result, the Lutheran School of Nursing students and Health Extension Officer trainees from Divine Word University are unable to receive appropriate training.

ii) Medical supplies

The unmet demand for appropriate medical supplies in rural PNG requires collaborative efforts. Australia's efforts to ensure that medicine reaches rural health facilities were discontinued in 2013 because the company (Borneo Pharmaceuticals) chosen by GoPNG to supply medicines did not meet "international drug quality standards," and it was not chosen "through a fair, transparent international tender process."⁶⁸ This is a concern when the country has limited capacity to ensure medical supplies reach rural health facilities from Port Moresby-based supply stores. GoPNG does not have the means to track its agents' efforts at delivering supplies to rural areas or to check the quality of these medicines.

iii) Infrastructure: Transport and energy

The Highlands Highway, the main economic corridor linking the agricultural and mining resources of the Highlands to the port at Lae requires approximately US\$5 billion USD to build and maintain. Around 80% of the country's GDP travels along this corridor. DFAT has a long-term maintenance contract for a portion of the Highlands Highway,⁶⁹ but major investment is needed to connect the rest of the Highlands provinces including rich resource areas such as Porgera in Southern Highlands Province.

DFAT and ADB have programs in transport infrastructure. Chinese soft loans are seen as a good source for GoPNG's efforts to rebuild its road and transport infrastructure. Bridges and feeder roads, long washed away in some parts of the country (such as Rai Coast district in Madang), remain untouched by successive governments, due to the misappropriation of development funds by local members and the lack of regular maintenance work.

Government budget allocations and distribution in all sectors face similar challenges. Projects that have a political imperative tend to get funding, despite the existence of long-term government commitments for road and infrastructure development. As one insider noted of government budgetary processes:

At the start of the year, [GoPNG] want to fund 100 projects, but only 15 get approval. Then in the second half of the year, 75 projects find their way into the budget, all of which then have to be re-scoped. You can follow the expenditures of DoW. In Q1, almost nothing, a bit more in Q2 and Q3,

⁶⁸ For reports on Borneo Pharmaceuticals: <http://pidp.eastwestcenter.org/pireport/2013/December/12-27-05.htm>, <http://pidp.eastwestcenter.org/pireport/2014/January/01-03-04.htm> and <http://www.abc.net.au/news/2013-12-26/an-australia-cuts-funding-of-png-medical-kits/5174992>

⁶⁹ These two contracts are valued at PGK95 million. Shorncliffe PNG Ltd will maintain 168.8km (Lae Wharf to Morobe/Eastern Highlands border) and COVEC will maintain 187km from Morobe/Eastern Highlands border to Eastern Highlands-Simbu border. See <http://www.works.gov.pg/media/hhltmc.html>

and then a huge spike in Q4. Of the projects that have been re-scoped for this year, there are at least two projects where the proposed roads have not even been located yet. And it's February.

According to DoW, the transport sector has huge funding needs. Approximately PGK20 billion (approx. US\$8 billion) is needed to fund missing road links. The road networks under DoW's charge include almost 9,000 km of national network roads, and 21,000 km of rural roads overseen by provincial and district governments, where the majority of PNG's population lives. Current donor focus is only on the national network roads. The District Services Improvement Program (DSIP) and Provincial Services Improvement Program (PSIP) funds are not enough to increase the standard of the roads. Provincial Transport Divisions need to be established in districts now to complement efforts to build rural road networks. The capacity of local contractors is limited, and with the amount of roadwork underway in PNG, most are at saturation point. Some are so small that if they are not paid up front, they cannot complete the work.

The focus by ADB and the World Bank on the energy sector will mainly support the Port Moresby power supply and selected provinces (Oro, Milne Bay and Bougainville). There is an enormous need for renewable energy (bio-fuels, solar, small-scale hydro) that no single donor is able to support. Along with Fiji, PNG has the greatest potential for developing renewable energy sources in the Pacific. Unfortunately, PNG Power's expertise is concentrated in hydro engineering, meaning that the country has limited capacity to expand and invest in renewable energy without external support and training.

iv) *Training: Health, education and research*

Training of health workers and teachers is a national priority. The current aid arrangements with Australia, New Zealand and China through scholarships, exchanges and training help, but do not address the issues of capacity at all levels, which include building state training institutions and facilities, the capacity of trainers and the supply of skilled workers.

Proposed assistance by GoPNG targets rural health care facilities, making commitments to improve primary and sub-specialty health care, and expand the Provincial Health Authority network. In this proposal there is nothing in place to address the issue of human resources. Rural health care facilities need trained workers to run them. There are only 5.4 health workers for every 10,000 people in PNG, and half of them will reach retirement age by 2020. The shortfall of midwives and nurses is acute. While interim measures such as recruiting overseas health teams in Port Moresby General Hospital relieves immediate needs, these are unable to resolve the issue of skills capacity. As the CEO noted:

PNG is desperately short of doctors, registered nurses and community health workers. There's a lack of manpower to staff the hospitals that already exist, let alone new facilities. It is estimated that POM (Port Moresby) General [Hospital] will be 900 nurses short by 2020.

The Government's fee-free education policy (which covers elementary, primary and secondary schooling) is not supported by training of teachers, or support towards in-service

training, adequate classrooms, learning materials and facilities required to cope with the increase in student enrolment. Assistance is needed to build the capacity and competency of teachers and teacher assistants at elementary, primary and secondary level.

The PNG Institute of Medical Research (IMR), the only health research institute in PNG, struggles to continue its efforts in research. Despite some medical research breakthroughs, such as the Pig Bel vaccine, malaria treatment and stopping the further spread of Kuru disease, the scope of its work is limited due to resource and capacity shortage. Government support towards medical research is limited. There is a struggle to retain senior scientists and technical expertise, as NGOs and overseas institutes offer more competitive salaries and safer working conditions. Within its malaria research program, there is only one senior researcher instead of the three who were initially hired. IMR struggles to offer training opportunities to national scientists. To address these issues, multilateral and bilateral donors will need to provide funds, equipment and technical expertise in the centres where IMR has ongoing research.

5. Possible Areas for Development Cooperation with China

The research team has identified the following sectors as promising for cooperation between China and other development partners:

- The health sector, particularly infrastructure and training;
- Agricultural extension and exports;
- Clean energy;
- Transport infrastructure.

Development cooperation is not new for China. As early as 1981, it cooperated with UNDP to implement the Technical Cooperation among Developing Countries program in China, which has trained more than 6,000 technicians from other developing countries over more than two decades.⁷⁰ Since 2008, international organizations and traditional donors have shown interest in development cooperation with China. As can be seen from **Figure 1**, China has been involved in a growing number of development cooperation projects.

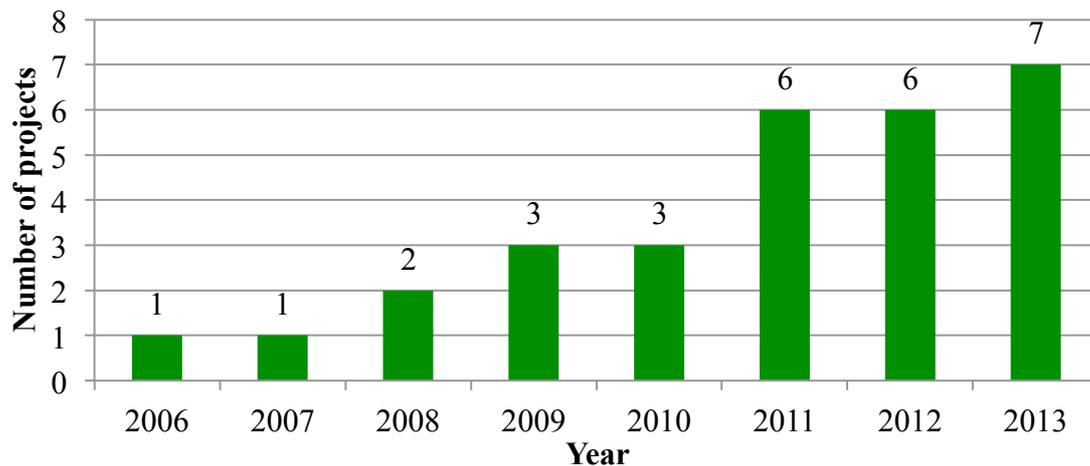


Figure 1. Chinese development cooperation projects⁷¹

To date, China tends to be more inclined to cooperate with international organizations than bilateral partners, and has mostly focused on training. So far, China has conducted development cooperation in training with the World Bank, UNDP, the UN Conference on Trade and Development, the UN Industrial Development Organization, UNOCHA and IMF. Most of those training courses were held in China with China contributing expertise and part of the costs. One example of UNDP’s role as a platform and partner is China’s cooperation with UNDP in cassava plantation training in Cambodia, which began in 2011,

⁷⁰ The Information Office of the State Council of China, *White Paper on China’s Foreign Aid*, April 2011.

⁷¹ Figure is adapted from Denghua Zhang, “Growing Chinese Trilateral Aid Cooperation” (In Brief 2014/23, Australian National University, 2014). Available online at <http://ips.cap.anu.edu.au/sites/default/files/IB-2014-23-Zhang-ONLINE.pdf>.

and which was highly appraised by the Cambodian partners. The project has now entered its second phase. In infrastructure, China cooperated with Thailand and ADB to build the Laos section of the Kunming-Bangkok Highway, which is a test case for China. China, Thailand and ADB each paid one third of the funds, with ADB playing a coordination role. After this, China, Thailand, Laos and ADB worked together again in 2010 to build a bridge over the Mekong River for the Kunming-Bangkok Highway.

China has also engaged in development cooperation with traditional donors such as Australia, Japan, New Zealand, the UK and the US. Training and sharing of China's experiences with other developing countries is still the major theme. Counterparts from the Chinese side are different ministries like the Ministry of Commerce, the Ministry of Agriculture, the National Health and Family Planning Commission, and the Ministry of Environmental Protection. **Table 3** lists some of the development cooperation activities China has undertaken with traditional donors. Among them, China's cooperation with New Zealand in improving the water mains system in the Cook Islands is a good example. According to the agreement among the three parties, China provides concessional loans to support building the water mains network, and New Zealand supports the water storage and pipelines to individual houses. The project aims to improve the water supply in Rarotonga.

Table 3. Examples of Chinese development cooperation activities

Traditional donor	Project	Beneficiary country
USA	Improvement of higher education facilities	Liberia
Japan	Training courses in environmental protection	ASEAN countries
UK	Sharing of China's experience with preparing for and responding to natural disasters	Bangladesh, Nepal
UK	Sharing China's experience in agriculture	Malawi, Uganda
Australia	Project on malaria	PNG
New Zealand	Improve water mains system in Rarotonga	Cook Islands

Source: OECD, Triangular Cooperation: What's the literature telling us? May 2013.

As with other development cooperation projects, there were advantages and disadvantages. The advantages mainly lay in the complementarities of the cooperation partners, especially in expertise and funding. Through development cooperation, traditional donors and the international organizations could introduce the host countries to more applicable experiences and technologies, while China also benefits by expanding its scope of cooperation. In infrastructure building, cost sharing is an important benefit for development cooperation. However, coordination is the main challenge; more time and sometimes more funds are required for cooperative activities. In both the Kunming-Bangkok Highway project and the water mains system project in the Cook Islands, it took a long time for the three parties to negotiate and reach agreements on the standards, criteria, and other technical

issues. It is a learning process for all parties, which from another angle is a strength of development cooperation.⁷²

Experiences China could learn from other donors

Unlike in Africa, China's aid presence in the Pacific is relatively new, with most of its aid in the region starting in the early 1980s. Though its development assistance has increased in recent years, it remains a smaller partner in the Pacific compared with major donors such as Australia and New Zealand and multilateral donors such as the UN and Bretton Woods Institutions (World Bank, ADB, IMF). China can learn about valuable practices, experiences, and lessons learned from other donors and improve its aid effectiveness to contribute more to the host countries' social and economic development.

Focus on priority sectors in alignment with development partners' strategies. Many traditional donors have established mid-term development cooperation plans with Pacific countries, which outlined their priority sectors with the development strategies of the partner countries. For example, the Australian Government has signed Partnerships for Development with the governments of PNG, Samoa, Tonga and a number of other Pacific countries and focused its assistance in the Pacific on education and training, economic reform and governance, health, environment and natural resources, and private sector development. Australia will also soon have "Aid Investment Plans" with all their partners, which will aim to closely align with partner country development priorities. Japan has focused its assistance to PNG on social and economic infrastructure, improvement of social services, environment and climate change, which are sectors in which Japan enjoys comparative advantages.

China's aid in the Pacific, however, is dispersed across various fields, and does not focus on specific priorities. Most of China's aid is designed and delivered on a project basis, and does not always demonstrate coherence across projects in the same sector. In addition to developing mid-term country strategy plans, China could also consider other donors' and multilateral organizations' experiences in designing sector-wide programs to improve coherence and aid effectiveness.

Seek partnerships with a wider range of stakeholders. Most traditional donors have wide engagement with different players and stakeholders besides the national level government of the partner country. For example, Australia, New Zealand and the US all make good use of different channels for effective policy dialogues, which involve the government, institutions, civil society, the private sector and regional organizations. They have channelled development funds through different players beyond the host governments. For example, the New Zealand Ministry for Primary Industries' Plant Health and Environment

⁷² For example, to align development aid with the sector needs more efficiently, MoFAC adopted a sector wide approach (SWAp) for development planning and donor harmonization in 2008. There is potential for China to channel its aid through the SWAp facilities so as to match the gaps identified, particularly in agricultural extension and exports.

Laboratory has collaborated with Landcare Research Ltd, Museum of Victoria, the Secretariat of the Pacific Community, and other agencies to implement the *Enhancement of Biosecurity and Quarantine Services in the Pacific* project.⁷³

China tends to work mostly with the central government of the partner country in learning about their development needs. Provincial and local-level governments, local NGOs and communities are seldom involved. This is partly due to the limited number of staff in both the Chinese central government and local embassies. This may lead to the problem that sometimes the needs of the host government may not effectively match the needs of the local people. Some provincial governments and agencies noted that their needs had been neglected, and that training opportunities seldom reached the local governments. To date, China has not cooperated with local NGOs. If China could establish partnerships with more local stakeholders, it could improve their understanding the development needs of partner countries, and design projects to better meet the needs of the local people, not just those of the central government.

Closer coordination among donors. Some Pacific countries have established regular coordination mechanisms among donors. Donors have regular meetings to discuss their activities, experiences and ideas for development cooperation in partner countries. Some argue that coordination among donors helps the host country to manage assistance more effectively. Some donors have established cooperation with other players through regional organizations. For example, USAID worked with the Secretariat of the Pacific Community to strengthen food security among farming communities in Fiji, Kiribati, Samoa, Solomon Islands, Tonga and Vanuatu. USAID also supports the Secretariat of the Pacific Regional Environment Programme to improve the resilience of water resources in Kiribati and promote healthy ecosystems in the Solomon Islands.

At present, Chinese embassies have limited coordination with other donors in the region. However, if the partner country hosts donor coordination meetings, the Chinese embassy is more likely to participate. Involvement in these roundtables would assist China in understanding the development landscape in the partner country, and help it to complement its development assistance with other donors. The ownership of the partner country is important in building effective coordination among donors.

In the following sections, suggestions for greater cooperation and coordination in each of the countries visited by the research team will be outlined.

5.1. Samoa

Economic and education infrastructure. Australia's new foreign aid policy, focusing on economic diplomacy, sees Australia return its focus to economic infrastructure. There is

⁷³ NZAID, "Enhancement of Biosecurity and Quarantine Services in the Pacific" (NZAID Partnerships And Funds Case Study, 2014). Available online at https://www.aid.govt.nz/webfm_send/606.

potential for Australia and China to collaborate on economic infrastructure projects especially in the areas of road and bridge maintenance or schools and hospitals. The seven Chinese-funded school building projects are widely thought of as the best in Samoa. There is strong demand for China to continue to provide grant assistance in constructing primary school facilities. However, given Samoa's current high levels of external debt, loan projects need to go hand-in-hand with grants. China can take on the model of ADB and World Bank and refuse to take on any more loans, but offer grants for smaller projects until debt servicing is manageable.

Joint agriculture demonstration project. Australia and China are both actively involved in the agriculture sector. There is strong resolve from the Samoan side for China to be a lead partner in the sector. A recommendation of this report is to find avenues of collaboration between the Ministry of Agriculture, the China-Samoa Farm Demonstration Program and Australian Centre for International Agricultural Research (ACIAR). One avenue as suggested by those in agricultural sector, is for agricultural extension that can marry Chinese "simple" technology and Australian research expertise. There are opportunities to share research, to train Samoans in agricultural skills that will help them to join the Migrant Worker Scheme, and to match the appropriate agriculture technology from China with demand in the local hotel industry and the international organics export market. There are also opportunities for China to consider channelling its aid to the private sector in these areas through private sector PSSF and CSSF, which are discussed below, rather than go directly to individual companies.

Private Sector Support Facility (PSSF) and Civil Society Support Program (CSSP). Both programs are partly funding pools that Australia, UNDP, New Zealand and the EU support. There is opportunity and strong support for China to be a funder. Furthermore, there are advantages for the programs to expand in providing small business or NGO development advice. Of high importance is business development support in area of simple technology agricultural production, organic farming, and tourism marketing to China and Australia. Becoming a partner in this sector would pay dividends in the long term, both in terms of Samoa's economic development and easing tensions and building relationships between local Chinese and Samoan businesses.

Inclusive education. Unintentionally, Australia and China have collaborated in the area of disabilities. The Loto Taumafai Society receives an annual grant to assist with its operations under DFAT's Samoa Inclusive Education Demonstration Program (SIEDP).⁷⁴ Construction work, backed by a Chinese project under the Economic and Technical Corporation between China and Samoa, has started on the Loto Taumafai Center.⁷⁵ There is opportunity for developing collaboration in expanding SIEDP that further supports

⁷⁴ For more information on SIEDP see <http://aid.dfat.gov.au/Publications/Pages/siedp-ind-eval.aspx>.

⁷⁵ Deidre Taotua Fanene, "Ground Broken for New \$12m Disability School," *Samoa Observer*, May 11, 2014. Available online at <http://www.samoaoobserver.ws/home/headlines/10164-ground-broken-for-new-12m-disability-school>.

disability awareness programs, disability infrastructure programs and the Samoa-based Special Needs Education Society.

Samoa School Fee Grant Scheme. Since 2012 Australia, New Zealand and Samoa have pooled funding to create the School Fee Grant Scheme.⁷⁶ The pool of funding replaces the amount which 37,000 school children would have pay in fees; the fund is then disbursed to schools through grants for furniture and stationery supplies. China could consider joining the existing funding pool.

Joint humanitarian (military) exercises. Samoa is vulnerable to extreme natural disasters, and in those times will depend on its development partners for emergency assistance. A possible joint project would be civil-military humanitarian exercises among Australia, New Zealand, China and Samoa; projects similar to the US led Pacific Partnership.⁷⁷ The joint military exercises (that include Australia, New Zealand, French and local Pacific military forces) build networks essential in time of actual disasters and improve the capacity of local personnel.

Sports institute. There is potential for development cooperation through sports. Samoa has over the years engaged Chinese and Australian coaches. There are plans to build a Samoa Sports Institute and there is potential for joint Sino-Australian partnerships that provide technical expertise for local Samoan players, facilities or infrastructure support.

5.2. Tonga

Maritime institute. The combination of capacity building and infrastructure needs makes the Institute a potential site for China to collaborate with other development partners, especially as a Chinese contractor is currently building the Maritime School in Samoa for the National University of Samoa. The Tonga Maritime Polytechnic Institute (TMPI), also known Fokololo-'o e-Hau, was set up in the 1980s to train Tongans for work in the shipping industry. The Institute closed down in 2011 because Singaporean-registered ships no longer accepted the Institute's certificates and is in the process of rebuilding with GoT assistance.

Fanga'uta Lagoon. There is potential for a Chinese partner to undertake dredging works, in coordination with other development partners who can provide environmental impact and monitoring expertise. The Fanga'uta Lagoon is a shallow body of water, open to the ocean via a narrow entrance. It is the main feature of Nuku'alofa, which is spreading around it. The lagoon is compromised of wastewater from the industrial park, and stormwater from residential housing in Nuku'alofa. DFAT commissioned a survey of the biodiversity of the lagoon, and drew up an environmental management plan. UNDP Tonga recently accessed US\$1.9 million through the Global Environment Fund to improve the lagoon, but dredging

⁷⁶ For more information on the Samoa School Fee Grant Scheme, see <http://aid.dfat.gov.au/countries/pacific/samoa/Pages/education-int2.aspx>.

⁷⁷ For more information on Pacific Partnership, see <http://www.defence.gov.au/opex/exercises/pp10/index.htm>.

will cost considerably more. Chinese companies based in the region, such as China Harbour Engineering Co. (currently expanding Lae Port in PNG), have expertise in dredging and could work with other development partners to implement the existing management plan.⁷⁸

The presence of a new drainage system in Nuku'alofa adds to the urgency. As one proponent of the works admitted, the new drainage went in without an environmental impact study:

My friends at the Ministry of Environment were not very happy. We were not talking for a while. But I can sympathise with what they think, it has to be done mechanically. Either that or we have to have a huge pump to clear out the lagoon, because there's not enough circulation to clean out the system on its own. [The water] is oxidizing; it's light green. There used to be people fishing there before, now it's hard to find any life in there at all. The sooner they clear it out; it will help to reintroduce the environment to itself. It's a part of the urban drift. Everyone moving into an area, before not many people, it was just a swampy area. If we're going to address urbanization, it's all about politics and geography.

Education. The Ministry of Education and Training (MET) expressed interest in China supporting science and technology, music, agriculture, fisheries and business, as these are areas where China has a successful track record. It was requested that China provide the infrastructure and personnel for these programs and for Australia to build the capacity of the Ministry. The MET is looking to establish programs in disability care and massage therapy, which could provide appropriate skills for Tongans to work in the growing aged care sectors in Australia and New Zealand. Currently, there are standard massage therapy classes at the Tonga Higher Institute of Education. The MET also requested Chinese martial arts instructors, who could provide more discipline to high school students, a problem raised by several interviewees.

Agriculture. It is recommended that the GoT explore avenues for collaboration between the Tongan Ministry of Agriculture, the Tonga-China Farm Demonstration Program, the Market Access Working Group (set up by growers), NGOs, and agricultural experts provided by Australia or New Zealand. Chinese agricultural technologies have proven particularly appropriate in Tonga. Many interviewees noted that donors had vacated the agricultural sector, due to several failed projects. There is potential for China to lead in the sector, as it has a well-established demonstration site, personnel on the ground, and frequent business delegations with an interest in developing agricultural products for export, even if local demand does not always match. As one insider noted:

China has trialed a lot of exportable products, and the new products. But when we look at the products, our appetites are different. They like small yams, very thinly sliced. Not like ours, we want big chunks.

⁷⁸ Mobile dredging is also required to keep wharves on the outer islands accessible, providing another incentive to bring in a company such as China Harbour.

Inclusive health care. It is requested that China to work in partnership with the WHO office in Tonga and another development partner on the MoH's mHealth project.⁷⁹ China and another development partner can jointly in build the infrastructure and capacity of mHealth services, while the WHO facilitates the equipment required. The potential benefits of mHealth are lower cost, higher quality care for patients in remote locations. An mHealth program should reduce the number of referral patients to the main hospital in Tongatapu from the outer islands, especially the Niuaus.⁸⁰ There is scope for this project to be extended to other Pacific nations that face challenges of providing health services in remote areas.

In all sectors, donors should work with activists who enjoy status in the host country, but also have regional connections and influence. As one experienced development worker noted:

It's natural for bilateral donors to want to own their achievements, but should share 20 to 30% with other people – you get more friends! The involvement of WHO might reduce their influence, but it also defuses the tension on the part of locals, who worry about one donor or another having unhealthy influence on their government. The Pacific, compared to other areas, has small nations that are crowded with donors. There are a lot of players. So being accepted peacefully isn't easy. Between China and Australia there are no big political problems, so cooperation should be possible!

5.3. Papua New Guinea

In general terms, donor-to-donor partnership arrangements are needed to relieve capacity issues within the relevant agencies. This should extend to private sector partnerships (including churches, private foundations and NGOs) as they have valuable knowledge and insights in working in difficult conditions. Using established systems, through co-financing arrangements, could be most appropriate to meet donor and government requirements for efficient delivery.

Donor-to-donor and donor-to-government quarterly roundtable meetings, such as Transport and Infrastructure Sector Monitoring, Implementation Committee (TISMIC) and the newer Quarterly Road Maintenance Committee for the transport sector, provide an opportunity for government and development partner discussions on implementation and monitoring of infrastructure projects. Donors can highlight where they are able to provide assistance either alone or in partnership at these discussions. Development partners are expected and encouraged to use these roundtable discussions. It is through such meetings that donors can show their areas of expertise and see how they can complement other donors' work. As one donor stated, there may be overlap of development projects, but PNG is such a large country with huge development needs, that this is not a serious problem.

⁷⁹ mHealth is the abbreviation of "mobile health."

⁸⁰ Niuatopu and Niuafo'ou are the two most remote islands of Tonga on its northern side.

Any development cooperation between China and traditional donors and PNG will need to work with the established development partner's systems to deliver aid. This is in recognition of the national government's limited capacity and vulnerable systems. Co-financing with existing partners can be advantageous for development work in PNG. Partnerships can learn from successful stories such as China Harbour Engineering's work on the ADB Lae Ports Project and Guangdong Foreign Construction Company's University of Goroka dormitory project.⁸¹ In both cases, the local partner's knowledge of Chinese business practices was crucial to the success of these projects, so it is important that the PNG side develop a deeper knowledge of Chinese language and culture for development cooperation to be sustainable in the long term.

The government's priority is infrastructure. China has the means and Australia can offer its expertise (standards, companies, local knowledge and experience) for building the local infrastructure in social services. This will resolve some of the problems faced by Chinese companies operating in PNG and help build infrastructure according to international standards.

The Highlands Highway will link the agricultural areas as well as businesses in the Highlands areas to ports and markets. The economic benefits of the Highlands Highway cannot be overstated. A partnership with funding from all three countries to set up an Australia-China-PNG trust fund for development is recommended. Funding arrangements should be kept as simple as possible. In addition to this vital link, there is scope to work with donor partners and DoW on the country's missing provincial road links, as JICA and DFAT have worked together in Bougainville.

Port Moresby General Hospital, currently home to a Chinese medical team, has plans to rebuild its facilities, equip the wards with beds and obtain vital machines such as CT (computed tomography), PET (positron emission tomography) and MRI (magnetic resonance imaging) scanners. There are immediate needs and gaps that require assistance, alongside long-term needs to build the capacity of health and medical specialists and support training within the hospital and the University of PNG's Medical School.

Institute of Medical Research. Building on existing collaboration between Australia and China, there is a need to support health and medical research carried out by the Institute of Medical Research in the long term, as support from other funding streams – such as the Global Fund and Exxon Mobil – is uncertain.

5.4. General recommendations

In terms of China's development cooperation with other development actors in the Pacific, health, agriculture, clean energy and infrastructure could be good options, as there is an

⁸¹ Expansion of dormitory accommodation at the National Polytechnic Institute in Lae is a promising site for donor cooperation. DFAT is undertaking research into determining minimum standards of board, lodging and catering for students as well as opportunities to engage the private sector to deliver these services.

overlap of interests on the part of donors, and great scope for improvement in all three countries. Beyond the rather clichéd division between Chinese “hardware” and traditional donors’ “software” (arguably the most successful and sustainable aspects of Chinese aid have involved technical assistance in agriculture⁸² and health⁸³), there are complementary strengths that have potential to be scaled up across the Pacific.

Health. Besides malaria, maternal and infant health and tuberculosis could also be potential fields of cooperation. The maternal and infant mortality rate is very high in PNG and China has rich and recent experience in improving maternal and infant mortality. China also has extensive experience in tuberculosis control including drug resistant tuberculosis. China pursues a similar model of assistance in each country, meaning there is potential to upscale cooperation in the future. In smaller nations, the impact of Chinese medical teams is tremendous: China currently provides one of Tonga’s only two mental health practitioners. In addition to partnerships in developing health infrastructure, the precedent of Guangdong Province sending short-term medical teams to Tonga opens up the possibility of mutual learning and collaborative research between traditional donors and Chinese teams.

Agriculture. The potential for niche agricultural exports to China, and a broad range of products to Australia and New Zealand is significant. For Samoa and Tonga, where NCDs are a serious problem, the promotion of horticulture by Chinese technical teams also brings significant health benefits. Extension and dissemination remains a barrier, largely due to language barriers and the limited capacity of local agricultural extension services. This is a natural site for cooperation with local ministries of agriculture, working alongside experts from ACIAR or similar organizations, or volunteers. The involvement of another development partner could help ensure that the training reaches the right people, and does not exacerbate inequality.⁸⁴ Cooperation could be expanded to cover all three countries, as the set up of the agricultural teams is similar in all countries.

Clean energy. China possesses experience in rural electrification and off-grid systems, and can deliver low-cost renewable energy infrastructure (wind, solar and geothermal) with support on technical and market assistance. China’s ambassador to Fiji, Du Qiwen, recently expressed interest in backing such investment.⁸⁵ This would make progress in removing two of the greatest barriers to doing business in the Pacific: the cost of power, and the lack of access to power in remote, rural areas. It is estimated that 70% of households in the region do not have access to electricity and 85% do not have access to clean cooking energy

⁸² Deborah Bräutigam, *Chinese Aid and African Development: Exporting green revolution*, ed. Timothy M. Shaw, International Political Economy Series (New York: Palgrave Macmillan, 1998).

⁸³ Anshan Li, *Chinese Medical Cooperation in Africa: With special emphasis on the medical teams and anti-malaria campaign* (Uppsala: Nordiska Afrikainstitutet, 2011). Available online at <http://nai.diva-portal.org/smash/get/diva2:399727/FULLTEXT02>.

⁸⁴ Lila Buckley, “Narratives of China-Africa Cooperation For Agricultural Development: New paradigms?” (China and Brazil in African Agriculture Working Paper 053, Future Agricultures Consortium, 2013). Available online at http://r4d.dfid.gov.uk/PDF/Outputs/Futureagriculture/FAC_Working_Paper_053.pdf.

⁸⁵ “China Calls for More Green Growth Assistance To Pacific Island Countries,” *Xinhua*, June 19, 2014. Available online at http://news.xinhuanet.com/english/china/2014-06/19/c_133421081.htm.

technology.⁸⁶ Innovations in health and education enabled by the rapid uptake of mobile phones and information and communications technology (ICT) in the Pacific are hampered by the unreliable and costly supply of electricity. PNG and Samoa in particular have excellent potential resources.⁸⁷

Infrastructure. The examples of the Kunming-Bangkok highway and the Rarotonga water mains project are good reference points. The part China undertook and that ADB and New Zealand took are comparatively independent, but match and complement each other well. Particularly in PNG, local demand for roads will not be met for decades, but the approach of donors in the past has been piecemeal. Chinese contractors have expressed interest in collaborating with Australian or New Zealand construction companies, as this would help them to learn the management skills to allow them to move up the value chain. For large infrastructure projects such as the Highlands Highway, partnerships between Chinese contractors (such as COVEC PNG and China Harbour) and Australian or New Zealand construction companies should be considered. Funds could be provided equally by a traditional donor and China, and managed by a board of trustees. Australian and New Zealand contractors are cautious at present, citing risk profiles and the concerns of their boards, but are interested in the idea. A simpler approach could follow the precedent of Australia-Japan cooperation in Bougainville, where Australian contractors built the roads, while Japanese companies were responsible for the bridges.

⁸⁶ Matthew Dornan, "Energy Poverty and Access to Electricity in the Pacific: Heading in the wrong direction?" *Devpolicy Blog from the Development Policy Centre*, February 10, 2014. Available online at <http://devpolicy.org/energy-poverty-and-access-to-electricity-in-the-pacific-heading-in-the-wrong-direction-20140210/>.

⁸⁷ Matthew Dornan, "Renewable energy targets in the Pacific: Why are unrealistic targets adopted?" *Devpolicy Blog from the Development Policy Centre*, July 20, 2012. Available online at <http://devpolicy.org/renewable-energy-targets-in-the-pacific-why-are-unrealistic-targets-adopted20120720/>.

6. Other Development Actors' Strategies for Development

Cooperation with China

This section will outline recommendations that other development actors may consider when planning future development cooperation initiatives with China, and suggestions on how to engage more effectively with Chinese development assistance in the Pacific.

6.1. Ownership

This is the most important principle to consider for the sustainability and success of any development cooperation project involving China. If the request does not come from the host government, the Chinese side will be unlikely to show interest in the project, as it violates the first principle of SSC. Compared with other BRICS nations, China has been reticent to engage in cooperative ventures with traditional donors, although there has been a sharp increase in the last few years. In part, this is because it lacks the linguistic and cultural advantages nations such as Brazil or South Africa enjoy when implementing such projects in neighbouring countries. But largely it comes down to reluctance to be associated with what some see as a failed model of development assistance.⁸⁸

This insistence on local ownership should be taken seriously. For example, interviewees expressed dismay that no Chinese representatives attended the regular donor coordination meetings in Port Moresby, co-chaired by UNDP and a traditional donor. It was, however, unlikely that anyone from the Chinese Economic Counsellor's Office would attend the meeting, as it was not organized by an agency of the host government, and therefore not in line with the principle of ownership. Were the Department of National Planning and Monitoring or the Department of Treasury to organise such a roundtable, attendance would be more likely.

The structure of other development actors' strategies towards engagement with China adds to the challenge of realizing local ownership in the planning and implementation of development cooperation projects. Most have placed the responsibility of donor coordination with China with their Beijing offices. The head offices of other development partners should be realistic about what sort of engagement their Beijing office can manage with Chinese counterparts, who are also being approached by other traditional donors working in more strategically and economically significant regions, such as Africa and Latin America. Being overly focused on Chinese consent runs the risk of overlooking the Pacific representative partners. It is essential to have clear communication between Beijing, each partner's headquarters, and offices in the Pacific. While this requires time and effort, it

⁸⁸ Xiaofeng Zhang and Pengtao Li, "A Chinese Perspective on European Aid to Africa," Chap. 5.1 in *Neither Conflict, nor Comfort: The co-habitation of Chinese and Belgian aid in the D.R. Congo*, ed. Ignace Pollet, Huib Huyse, Xiaofeng Zhang, Sylvain Shomba and Pengtao Li (Leuven: HIVA, 2011), 85-91.

is the best way to avoid development cooperation turning into two bilateral projects that take place in a Pacific country.

The principle of local ownership opens up a role for multilateral agencies, such as UNDP. Our research team found that success in accessing Chinese development finance was more a function of the capacity of the recipient country to develop feasible projects than actual development needs. This is also likely to be the case for projects involving development cooperation, which require advanced skills in project planning. Local UNDP offices could address this imbalance by working with recipient governments to develop viable proposals, which are more likely to be successful than those developed solely in collaboration with bilateral partners.

6.2. Consider a wide range of partners

The body formally responsible for delivering China's grant aid and interest-free loan projects is the Department of Foreign Assistance (formerly the Department of Foreign Aid), housed within MOFCOM. As many authors have noted, with around 100 employees it is understaffed and overcommitted.⁸⁹ It has few staff with expertise in the Pacific, and a recent evaluation found it to be "risk averse and highly conservative."⁹⁰ The Bilateral Division of the Department of Economic Cooperation, which formerly handled development assistance coming in to China (and hence is looking for projects to maintain its funding), tends to be more enthusiastic about cooperation, and more comfortable with some aspects of the OECD-DAC approach to development assistance. Central line ministries and agencies with a technical focus, such as Agriculture, Education, Forestry and Health (which all consult with MOFCOM on their own development cooperation budgets) are potentially more straightforward partners. Local UNDP offices in the Pacific could also enhance relations by recruiting a higher proportion of staff members from China, either on secondment from central or provincial ministries associated with China's aid program, or as permanent staff.

Beyond Beijing, provincial and city governments are also potential partners, but the thinness of most donors' diplomatic representation in regional China makes this difficult, beyond Shanghai and Guangzhou. Fortunately these are the two cities where provincial governments, city governments and enterprises already have a presence and interest in the Pacific. Potential for collaboration exists with financial institutions, universities, research units and NGOs that have an interest in conducting research in the Pacific. Co-funding research with the newly established Institute for Oceanic Studies at Sun Yat-Sen University, which is responsible for writing the *Blue Book*⁹¹ on the Pacific, would be an inexpensive

⁸⁹ Xiaoyun Li and Jin Wu, "China's Foreign Aid: Historical evolution, architecture and challenges," in *Emerging Asian Approaches to Development Cooperation* (Busan: The Asia Foundation, 2011), 35-36.

⁹⁰ Luke A. Patey and Daniel Large, "Cooperating with China in Africa" (DIIS Policy Brief, Danish Institute for International Studies, February 2012), 3. Available online at <http://en.diis.dk/files/publications/Policybriefs2012/DIIS-Policy-brief-cooperating-with-China-in-Africa-Patey-Large-Web.pdf>.

⁹¹ "Blue books" (*lan pi shu*) are the most prestigious reference materials for social science research on any topic in China.

way to facilitate understanding of Pacific societies and cultures. It would also be possible to support Pacific scholars to work at the Institute for short periods. Cooperation beyond development assistance could also be sought.

Among Chinese NGOs, many issues that are garnering attention in China, such as deforestation, wildlife smuggling and over-exploitation of marine resources have a Pacific dimension. PNG, for example, is China's second largest source of timber after Russia, with much of it illegally logged by Malaysian companies. It is also a base for shark finning, a trade that is the target of an ongoing campaign involving Chinese basket-baller Yao Ming. It would be possible to follow DFID's lead in funding research by reputable Chinese NGOs, such as the World Wide Fund for Nature, in the Pacific. Our interviews indicated that Pacific civil society organizations, private sector representatives and universities were enthusiastic about development cooperation. This was not always the case with Pacific government representatives.

6.3. It takes three (or more) to Tango

Other development actors should not assume that their Pacific or Chinese partners always see development cooperation as a desirable goal. In one of our earliest interviews, a Samoan official, on hearing of our research, exclaimed,

I'm thankful that you've come to me at this stage, not earlier; otherwise they [China] wouldn't have done what they have done [in building the national hospital]... [The traditional donors] start something good, everything is going very well, and suddenly they switch to something else. It's almost like [traditional] donors decide they don't want you to do too well.

Pacific officials, particularly politicians, were appreciative of the speed and flexibility of Chinese aid, and felt that a degree of donor fragmentation increased their sense of empowerment, and presented them with more choices. When it came to large projects – such as the reconstruction of Nuku'alofa, new government offices, or facilities for the South Pacific Games – the research team was often asked, “Who else was going to do it?”

From the China Foreign Aid White Papers, which express China's willingness to reform and innovate their foreign aid practices, to the drawing up of new country and regional strategies for the Pacific, there are indications that the Chinese government wishes to move to away from isolated projects towards a more coordinated aid strategy.⁹² Yet China's position in the Pacific donor landscape means that there is a risk of path dependence, as there is no other emerging donor that can provide comparable access to development finance.

The views expressed in the China Foreign Aid White Papers may not necessarily represent those of Chinese officials and companies on the ground who are tasked with implementing

⁹² See note 21.

aid projects. While some Chinese actors are interested in trying new approaches to development, particularly aid programming and more sustainable interventions, it should not be assumed that traditional donors have something to offer China, or that interests will align. To an extent, Chinese contracting companies in the Pacific influence China's aid program in the region, developing projects in collaboration with politicians and line ministries, while concurrently lobbying China Eximbank for project funding.

The Economic Counselor offices charged with overseeing China's aid program in the Pacific are understaffed and have limited knowledge of ODA. Officials seconded from other agencies or provincial governments often staff them. When the research team visited the office in Port Moresby, there was no aid counselor, and only two overworked staff, neither of them with a background in development. As such, other development actors should be realistic about what they expect China from China, given this lack of personnel. It is important not to mistake lack of capacity with lack of interest.

In addition to this understanding, it would be useful to open up channels of communication with Chinese contractors in the Pacific, particularly well-established companies such as COVEC in PNG, CCECC in Tonga and Shanghai Construction Group in Samoa. Chinese contractors are not passive, and do not have to be forced into behaving reasonably. At the University of Goroka, the Chinese contractor dismissed the project team that had done a poor job in building student dormitories at Vudal University as part of an earlier Chinese government aid project. The managers of Guangdong Foreign Construction Co. cited their concern that the reputational damage caused by the earlier project could lead to them missing out on future business in PNG.

A comprehensive four-country study of Chinese aid in Tonga, Samoa, Vanuatu and the Cook Islands,⁹³ which complements this report, found that the capacity of Pacific governments to pursue, monitor and implement these projects is crucial to their success or failure. This report concurs with these findings, and recommends that China and Australia both play their part in assisting Pacific nations to develop their capacity in these areas, in particular to:

- Build a budget for a clerk of works and explicit provisions for maintenance into every major infrastructure project;
- Support the training of local building inspectors and help to revise outdated building codes;
- Assist in drawing up Bills of Quantities for infrastructure projects;
- Promote the use of FIDIC contracts.

The other half of the equation requires engaging with Chinese contractors, as they also have agency. It is a characteristic of Eximbank loans that the recipient country is expected to choose the Chinese contractor, and the contractors we interviewed were open about their

⁹³ Dornan and Brant, "Chinese Assistance in the Pacific."

ability to sell projects to the Bank.⁹⁴ This reality should be accepted; complaints about the active role of Chinese companies miss the point.⁹⁵ More engagement with Chinese embassies is recommended, but except in the case of a particularly active Ambassador or Economic Counselor, other development actors should not expect them to play a proactive role.

In Beijing, enabling greater engagement between Pacific nations and the two representatives of China Eximbank responsible for the region would help to demystify the Bank's concessional loan program. Information sharing would be welcomed, as the research team found the Bank to be diligent in following up disbursements to Chinese contractors. China Eximbank wants a return on their investment, it doesn't want the funds to be wasted, and it cares about its reputation.

⁹⁴ See also *ibid*, 12-13.

⁹⁵ Chinese contractors would point to what they perceived as a cosy relationship between DFAT and contractors such as Coffey, Cardno Acil and SMEC. Those with experience in the Pacific claimed that these contractors spent far less time in the field monitoring projects than they did during the 1990s.

Annex 1: List of Interviewees and Site Visits

Samoa, 17 Nov – 29 Nov 2013

Research team: Dr. Graeme Smith, Mr. Xu Weitao, Mr. George Carter

List of interviewees

A) Government

1. Ministry for Women, Community and Social Development
2. Ministry of Health
3. Ministry of Education, Sports and Culture
4. Ministry of Finance and National Planning
5. National University of Samoa
6. Ministry of Works, Transport and Infrastructure
7. Ministry of Foreign Affairs and Trade
8. National Health Service
9. Ministry of Natural Resources and Environment
10. Ministry of Agriculture
11. Samoa Tourism Authority
12. Ministry of the Prime Minister and Cabinet

B) Development Partners

13. Australian High Commission
14. UNDP Samoa
15. The Office of the Delegation of the European Union
16. JICA
17. Office of Asian Development Bank and World Bank
18. US Embassy
19. New Zealand High Commission
20. Australian Navy

C) Chinese Parties

21. Embassy of the People's Republic of China
22. Shanghai Construction Group Co. Ltd
23. Anhui Construction Team, based at National Aquatic Centre
24. Chinese Agriculture Team

D) Private Sector

25. Fletcher Construction Samoa
26. Samoa Association of Manufacturers and Exporters
27. Samoa Observer
28. Talamua Media Productions
29. Yazaki Samoa Limited

E) Non-Government Organizations

30. Loto Taumafai Society
31. Samoa-Chinese Association

Site Visits and Meetings

- 1) Samoa Quarterly Donor Roundtable. Hosted by Ministry of Finance and National Planning, attended by all donors
- 2) Pacific Islands Forum Peer Review of Samoa, preliminary presentation. Attended by all donors and whole of government
- 3) National Aquatic Centre, Faleata Sports Complex
- 4) Chinese-funded Falevao Primary School
- 5) Tsunami relocation areas in Saleapaga and Poutasi villages
- 6) Post-2009 Tsunami and 2012 Evans renovation projects: hotels and housing projects
- 7) Site visit of current and future project area for Loto Taumafai in Vaitele, Apia
- 8) Site tour of Sino-Samoa Agriculture Extension Program, Nuu, and Chinese-embassy funded Chinese Samoan cemetery, Apia

Tonga, 30 Nov – 12 Dec 2013

Research team: Dr. Graeme Smith, Mr. Xu Weitao, Ms. Elisi Tupou

List of interviewees

F) Government

33. Ministry of Agriculture
34. Ministry of Education and Training
35. Ministry of Environment and Climate Change
36. Ministry of Finance and National Planning
37. Ministry of Fisheries
38. Ministry of Health
39. Ministry of Infrastructure
40. Ministry of Internal Affairs
41. Ministry of Labour, Tourism and Commerce

42. Standing Committee of Finance and Public Account, Legislative Assembly of Tonga

G) Development Partners

43. Australian High Commission
44. DFAT
45. JICA
46. New Zealand High Commission
47. UNDP Country Office
48. WHO Country Office

H) Chinese Parties

49. Embassy of the People's Republic of China
50. Yanjian Group Co. Ltd
51. CCECC
52. Chinese Agriculture Team
53. Chinese Volunteer Team
54. Paradise Lodge
55. Rainbow Electricals

I) Private Sector

56. Tonga Business Enterprise Centre
57. Morris Hedstrom
58. Fletcher Royco
59. Ca'Bella Pacific Construction (Tonga) Ltd

J) Non-Government Organizations

60. Civil Society Organization
61. Tonga Broadcasting Commission
62. Vava'u Press (Matangitonga Online)
63. Church Leaders Council

Site Visits

- 9) Informal interviews with Chinese shopkeepers from Fujian, Tianjin and Guangdong
- 10) Chinese-funded health centres in Tongatapu
- 11) All buildings in Nuku'alofa CBD rebuilt with reconstruction funds
- 12) National Maritime College and Fanga'uta Lagoon

Papua New Guinea, 10 – 28 February 2014

Research team: Dr Graeme Smith, Ms Mao Xiaojing and Ms Almah Taria

List of interviewees

K) Government

68. Department of National Planning and Monitoring
69. Department of Treasury
70. Department of Health
71. Port Moresby General Hospital
72. Department of Works
73. Infrastructure Development Authority
74. Department of Transport
75. PNG Telikom
76. Eastern Highlands Provincial Government
77. Madang Provincial Government
78. University of Goroka
79. Divine Word University
80. Institute of Medical Research, Goroka

L) Development Partners

81. UNDP PNG
82. Office of Asian Development Bank and World Bank
83. The Office of the Delegation of the European Union
84. JICA PNG
85. International Financial Corporation (IFC/WORLD BANK)
86. Australian High Commission
87. DFAT
88. NZAID
89. New Zealand High Commission

M) Chinese Parties

90. Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China
91. Ramu Nico MCC Ltd
92. Guangdong Foreign Construction Co. Ltd. PNG
93. China Harbour Engineering Co. (PNG) Ltd, Port Moresby
94. Chinese Medical Team, Port Moresby General Hospital
95. COVEC PNG, Port Moresby

N) Private Sector

96. Institute of National Affairs
97. PNG Business Council
98. PNG Chamber of Mines
99. Framework Architects, Goroka
100. Raibus Enterprises, Madang
101. Leightons (PNG) Ltd, Port Moresby

O) Non-Government Organizations

102. Lutheran School of Nursing
103. PNG Incentive Fund
104. Transparency International PNG
105. Bismarck Ramu Group, Madang
106. Rempi Village Landowners Association, PMIZ Project Impact Zone
107. Oxfam PNG

Site Visits

- 13) Institute of Medical Research (Goroka, site of the malaria research cooperation project)
- 14) Midwifery School and student dormitories at the University of Goroka (both built by Guangdong Foreign Construction Co., the former with DFAT funding, the latter with a China Eximbank concessional loan)
- 15) Midwifery School at Lutheran School of Nursing (a rehabilitation project supported by DFAT and PNG Department of Health)
- 16) Rempi village, part of the impact zone for the Pacific Marine Industrial Zone (supported by a China Eximbank concessional loan and Ministry of Commerce, Industry and Trade)
- 17) Port Moresby General Hospital
- 18) Waigani International Convention Centre (partially built, started by CJIC PNG and abandoned in June 2013; will be China's largest single grant aid project in the Pacific)

Annex 2: Concessional Loans, Grants and In-Kind Assistance to Tonga

Table I. Breakdown of the CBD Loan Project

CBD Project (T\$ million)	Total Loan	
Tungi Colonnade Ltd	16.6	
OG Sanft & Sons Ltd	10.2	
MF Taumoepeau & Sons Ltd	7.2	
City Assets Ltd	6.8	
Royco Amalgamated Co. Ltd	2.2	
Total On-lent projects	42.9	
Vuna wharf	33.9	
Civil works	19.7	
Palace extension	14.5	
Asphalt Plant	5.3	
Total GoT projects	73.4	
Design	3.8	3%
Contingency	2.7	2%
Mobilisation	1.8	1%
Consultancy	1.4	1%
Insurance	0.7	1%
Geographic report	0.6	0%
Total CCECC costs	11.0	9%
TOTAL	127.3	

Source: Ministry of Finance and National Planning

Table II. Breakdown of the Road Improvement Loan Project

Projects (T\$ million)	Total Loan
Tongatapu	56.7
Vava'u	7.0
Ha'apai	1.9
Eua	2.6
Establishment	1.7
Mobilization	1.9
Road survey and prospecting	1.7
Road designing	6.7
Consultant fee	2.5
Insurance	0.5
Contingency sum	0.9
TOTAL	84.2

Source: Ministry of Finance and National Planning

Table III. Chinese grants program in Tonga

Projects and in-kind donations	Year
Ha'apai High School	1998
Refurbishment of Dateline Hotel	2006
Tonga High School	2006
Fa'onehua Convention Centre	2006
Donation of motorbikes to government departments	2007
Ministry of Justice complexes (Tongatapu and Vava'u)	2008
Mu'a and Vaini Health Centres, Tongatapu	2009
Prince Ngu Public Health Centre, Vava'u	2008
Military equipment	2011
Motorbikes for the Ministry of Public Enterprises	2011
Vaipua Bridge, Vava'u	2012
MA60 aircraft	2013
Office furniture and equipment for Legislative Assembly	2013

Source: Ministry of Finance and National Planning