



**The Cook Islands**

**The People's Republic of China**

**3 Year Strategy**

**Utilisation of Grant Funding**

**2013/14 – 2015/16**

**Version 1.0, as at May 2013**

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Note that this document covers the period July 2013 to June 2016 in line with the Cook Islands financial year.

## Foreword

The Cook Islands shares an ever strengthening friendship with the People's Republic of China (PRC), both as developing countries endeavouring to sustainably grow our economies for the benefit of their people through South-South cooperation.

The Governments of Cook Islands and the PRC, with a view to further developing the friendly relations and economic and technical cooperation between the two countries, have signed various Agreements on Economic and Technical Cooperation. These Agreements document pledges of grant funds by the PRC to the Cook Islands without imposing political conditionality's on the use of those funds.

The PRC is considered the second highest contributor to grants available for priority projects of the Cook Islands with pledges in excess of NZD34 million over the past 12 years in grant funds available to the Cook Islands of which the Government and people of the Cook Islands are most grateful.

A significant component of those funds have been utilised for infrastructure projects in the Cook Islands, including the construction of new buildings for the Ministry of Justice, the Cook Islands Police Department, as well as financial assistance towards the hosting of various significant regional events on Rarotonga, for which the Government and people of the Cook Islands are most appreciative. Through this grant facility, the Cook Islands Government has been able to acquire much needed equipment and machinery to support growth in various sectors including Agriculture and Education.

The balance of funds stands at an estimated NZD20.3million.

Both sides share an appreciation of the development needs of the Cook Islands, as well as the benefits of sharing technical capacities and having greater certainty around project priorities for the Cook Islands over the medium term.

This document presents a **3 Year Strategy for utilizing the balance of the China Grant Funds** currently pledged to the Cook Islands by the PRC.

The objective of the **3 Year Strategy for utilizing the balance of the China Grant Funds** is to

1. Set out a list of **principles** employed by the Cook Islands Government to assist in prioritising the use of the grant funds.
2. Provide a detailed list of **confirmed projects** of priority to the Cook Islands Government proposed for consideration by the Government of the PRC and possible implementation through the use of the grant funds over the course of the 2013/14 – 2015-16 period.
3. Provide clarity around responsibilities and **lines of communication** at different levels of the project cycle

The strategy is expected to be an evolving one which both sides will amend as additional funds are pledged, and priorities of the Cook Islands Government evolve.

# 1 Principles

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Acknowledging the generous assistance of the Government of PRC in supporting the development aspirations of the Cook Islands Government and its people; the Government of the Cook Islands will select and propose priority projects to the Government of the PRC, and it is for the Government of the PRC to approve the drawdown of its pledged grant funds for this purpose.

This section outlines the principles that will be utilised by the Government of the Cook Islands for prioritising the utilisation of available the grant funds. The two guiding documents outlining these principles are

- Cook Islands National Sustainable Development Plan 2011-2015
- Cook Islands Official Development Assistance Policy

## 1.1 National Sustainable Development Plan 2011-2015

The Cook Islands National Sustainable Development Plan 2011-2015 (NSDP), Te Kaveinga Nui 2020, sets national goals, expected results, and strategies to guide policy and resourcing decisions over the medium term in order to realise the national vision *'to enjoy the highest quality of life consistent with the aspirations of our people, and in harmony with our culture and environment'*.

As such, the NSDP is the guiding document identifying priority areas to utilize available resources including the grant funds pledged by the Government of the PRC.

In taking into account the PRC's strong technical capacity across various sectors, the Cook Islands Government has identified each NSDP Priority Area and the Key Objectives underpinning those Priority Areas where the grant funds provided would be most effective in attaining our national vision over the medium term:

### Priority Area 1 – Economic Development

Key Objectives:

- a) Marine Resource development
- b) Agricultural development

### Priority Area 2 – Infrastructure

Key Objectives:

- a) Improved Water Quality and access
- b) Improve Waste Management Facilities
- c) Improve Transport infrastructure
- d) Improve Telecommunications
- e) Robust Construction
- f) Capacity building in Infrastructure sector

### Priority Area 3 –Energy

Key Objectives:

- a) Use of proven RE technology
- b) Upgrade existing Infrastructure

#### **Priority Area 4 – Social Development**

Key Objectives:

- a) Quality Health Services for all
- b) Child, youth, elderly and disabled - care and development
- c) Access to leisure, recreation and sports opportunities

#### **Priority Area 5 – Resilience**

Key Objectives:

- a) Effective preparedness, response and recovery (natural disasters and climate change)

#### **Priority Area 6 – Ecological Sustainability**

Key Objectives:

- a) Integrated Water Management and quality
- b) Improved sanitation measures

## **1.2 Official Development Assistance Policy**

The Cook Islands Official Development Assistance Policy captures all external resources available to the Government of the Cook Islands, whether in kind or official assistance. This policy recognises that effective and efficient use of ODA has a significant contribution to achieving the Cook Islands national development priorities as set out in the NSDP. Essentially, all resources received by the Cook Islands Government are expected add value and build the resilience of communities to address economic, social and environmental challenges.

As such, the Cook Islands Government is committed to the application of its ODA policy and principles to utilisation of grant funds pledged by the Peoples Republic of China.

Recognising and respecting the PRC's own governance processes and significant technical capacity to undertake large works, the Government of the Cook Islands is committed to improving the capacity of the Cook Islands to become self reliant by fostering opportunities for local people and businesses to provide services and increase skills and experience by participating in all stages of development initiatives.

As such, where the Cook Islands private sector has sufficient capacity to undertake the design and construction of projects within the country for smaller scale projects in this 3 Year Strategy funded under the pledged grant funds, this would be the preference of the Government of the Cook Islands.

To the extent that such was possible, the Government of the Cook Islands would then draw on the PRC's great technical capacity to focus on larger infrastructure projects outlined in this 3 Year

Strategy, whilst also creatively finding ways to enable local participation with a view to build the capacity of the Cook Islands private sector in the implementation of such projects.

Further, in sourcing plant and machinery through the grant the Government of the Cook Islands respects the Government of the PRC's procurement processes. To the extent that is possible, the Government of the Cook Islands requests consideration be given to suppliers where by the Cook Islands has readily access to replacement parts usually sourced out of New Zealand and Australia. The Government of the Cook Islands would also welcome managing the process of acquiring machinery and equipment through the grant funds that are intend to be acquired in such markets given its capacity in such procurements.

## 2 Confirmed Projects

### 2.1 Confirmed projects

Based on the needs of the Cook Islands and against the Priority Areas and Key Objectives outlined in the NSDP, the Cook Islands Government identifies the following priority projects consideration by the Government of the PRC and funding under the grant funds:

**Table 1.1 Projects**

Priority Area (a)	Key Objectives (b)	#	Aligned Project (c)	Type (d)	TA (e)	Lead (f)	NZD (Estimate)
<b>Economic Development</b>	Marine Resource Development	1	Pearl Farming Equipment	Goods		MMR	1,200,000
	Agricultural Development	2	Agriculture Equipment	Capital	✓	MOA	1,500,000
<b>Infrastructure</b>	Improved Water Quality and access	3	Northern Group Roofing	Capital		MOIP	1,500,000
	Improve Transport infrastructure	4	Airport Upgrade - Atiu	Capital		Airport Authority	2,700,000
	Robust Construction	5	Chinese Building Repairs	Service		CIIC	800,000
	Capacity building in Infrastructure sector	6	Outer Islands Heavy Machinery - Stage 1 & Stage 2	Capital	✓	MOIP	11,000,000
<b>TOTAL PROGRAMMING</b>							<b>18,700,000</b>

- (a) Priority Area – As identified in the NSDP
- (b) Key Objectives – As identified in the NSDP
- (c) Aligned Project – Project selected aligned to the Priority Area and Key Objectives in the NSDP
- (d) Type – Purchase item either Capital, Goods or Services
- (e) TA – Technical assistance support to be sourced from the PRC
- (f) Lead – Cook Islands Government agency responsible for on the ground implementation

## 2.2 Project Summary

The below table provides a quick brief on each of the projects highlighted in Table 1.1:

**Table 2.2 Project Summary**

Project	Summary
Pearl Farming Equipment	<p>Pearl production is rapidly declining on the island of Manihiki in the Outer Islands.</p> <p>A stimulus is needed to assist farmers with tools for pearl farm production.</p> <p>The Government of the Cook Islands intends to secure a supply of essential farming equipment including ropes and floats for use by farmers through the Grant Funding, in an effort to increase production and stabilising the industry.</p> <p>The Cook Islands Government intends to re-submit a project proposal that seeks funding to purchase this much needed equipment to assist the pearl industry.</p>
Agriculture Equipment	<p>The Government of the Cook Islands has placed high priority on revitalising agriculture production in the Cook Islands in an effort to reduce importation of produce and increase self-reliance, and increase economic empowerment, especially in the Outer Islands.</p> <p>The Government of the Cook Islands intends to submit a project proposal to purchase agriculture equipment for farming to be funded by the Grant Fund. It will also seek technical assistance in this regard given China's depth of technical knowledge in this field.</p>
Northern Group Roofing	<p>In 2005, the Cook Islands faced a series of cyclones that caused significant infrastructure damage to a number of Outer Island houses and buildings, including those in the Northern Group. Work was undertaken to put in place water tanks to improve water quality; however, there is an urgent need to replace roofing on buildings to ensure that water is captured and is also drinkable.</p> <p>The Government of the Cook Islands intends to submit a project proposal to reroof and undertake repairs on existing roofing as well as required guttering connections, to be funded by the Grant Fund.</p> <p>The Cook Islands' private sector has sufficient capacity to undertake these works in country and could expedite this work should funding be forthcoming.</p>
Airport Upgrade - Atiu	<p>It is the intention of the Government of the Cook Islands to expand the tourism industry in the Outer Islands, including the island of Atiu in the Southern Group. The local airline has previously operated the Saab 340 to the Atiu aerodrome during peak demand, but has since</p>

Project	Summary
	<p>ceased operating this aircraft at the aerodrome due to the poor condition of the runway.</p> <p>To restore the service, the aerodrome would require certification under the rules of NZ CAA Part 139 for operations by Saab 340.</p> <p>The Government of the Cook Islands seeks to lower cost of travel to the islands and increase Outer Island tourism.</p> <p>As such, the Government of the Cook Islands intends to submit a project proposal to extend the current runway on Atiu and provide essential infrastructure, through the Grant Fund.</p>
Chinese Building Repairs	<p>Through the Grant Funds, various buildings have been constructed and are now in need of urgent repair and further improvements.</p> <p>These buildings include the Ministry of Justice building, the Cook Islands Police Department Building, and the Telecom Sports Arena on Rarotonga.</p> <p>The Cook Islands Government intends to submit a project proposal to undertake these much needed repairs to these 3 buildings including details of the repairs and improvements required for funding through the Grant Fund.</p> <p>The Cook Islands' private sector has sufficient capacity to undertake this work in country and could expedite the work should funding be forthcoming.</p>
Outer Islands Heavy Machinery - Stage 1 & Stage 2	<p>It is the intention of the Government of the Cook Islands to provide suitable plant and machinery to the majority of the Outer Islands to assist the Island Administrations to undertake various projects to support economic, social and infrastructure developments on each island.</p> <p>Parallel to the procurement of the above plant and machinery, the Government of the Cook Islands intends to also provide training to the Island Administrations in the assembly, operations and ongoing maintenance of the plant and machinery provided.</p> <p>The Cook Islands Government intends to procure plant and machinery to the Outer Islands through the grant funds available in two stages.</p> <p>The Government of the Cook Islands has submitted a proposal for urgent Outer Islands Heavy Machinery that is currently with the PRC, and intends to submit a second proposal for supporting plants and equipment following the completion of Stage 1.</p>

## 2.3 Balance of Grant Funds and Future Programming

The balance in the pledged funds after providing for the projects in Table 1.1 is estimated to be around NZD1.6million after the above purchases.

It is proposed that the balance of funds will be programmed in the coming years as projects in Table 1.1 are completed and as suitable priority projects aligned to the Priority Areas and Key Objectives are identified. At that time, this strategy will be reviewed and updated to reflect the completion of projects and the identification of new projects.

The implementation of this strategy would ideally be jointly reviewed by both the Government of the Cook Islands and the Government of the PRC every 6 months to ensure that, at a high policy level, both sides maintain a strong level of certainty around the progress of projects under this strategy and the effective utilisation of the Grant Funds kindly provided by the PRC.

### 3 Contact Points & Communication

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To support the implementation of this strategy, it is important to clarify responsibilities of the relevant agencies and channels of communication within the Government of the Cook Islands and between the Government of the Cook Islands and the Government of the PRC with regard to grant funds pledged by the Government of the Peoples Republic of China to the Cook Islands.

The Ministry of Foreign Affairs & Immigration (“MFAI”) essentially manages government’s relationship with other countries, both the political dimension but also broader economic and trade engagements. In the case of the People’s Republic of China, such engagement is predominantly conducted through the Cook Islands High Commission in Wellington. At the same time, the Embassy of the PRC in Wellington is responsible for managing the PRC’s relationship with the Cook Islands Government via the Cook Islands High Commission in Wellington, both political but also economic and trade matters.

The Development Coordination Division (“DCD”) of the Ministry of Finance and Economic Management (“MFEM”) operates under the principles of the Official Development Assistance (ODA) policy, as the main internal coordinating arm for utilising development assistance to the Cook Islands offered by development partners. For traditional development partners, DCD is the direct point of contact in relation to the details of aid programs to the Cook Islands.

As such, for **high level political engagements** on aspects relating to China Grant Funds, the contact point is the Cook Islands High Commission as the contact point for the MFAI.

This includes communication with the Embassy of the PRC in Wellington, in relation to:

1. Acceptance for all offers of pledges
2. Confirming to the Embassy the 3 Year Strategy for Utilising Grant Funds
3. Confirming to the Embassy the individual project proposal notes the Cook Islands Government will progress in accordance with a 3 year strategy
4. Confirming to the Embassy significant changes to the list of projects, including the withdrawal or insertion of projects.
5. Arrangements with regards to handover ceremony

For **technical level grant engagements** on aspects relating to projects with prior agreement for use of the China Grant Funds, the contact point is the Development Coordination Division on behalf of the Ministry of Finance and Economic Management.

This includes communication with the Economic and Commercial Counsellor's Office, Wellington (with a copy to MFAI) in relation to:

1. Clarification on potential approaches informing a concept note
2. Technical level changes to specifications e.g. dimensions and quantities
3. Clarification on timeframe of approvals, delivery and execution of existing approved projects
4. Clarification around cost estimates and values of projects, as well as clarification on the total grant fund available

5. In country arrangements for the management of technicians assisting with the implementation of projects
  6. Arrangements with regards to handover certificate
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