

Recently, the Pacific region seems to be a testing place for China's growing triangular aid cooperation. The China–New Zealand–Cook Islands triangular project on water supply (Te Mato Vai) is an interesting case study as it claims to be China's first triangular aid project with traditional donors.

Based on my fieldwork research, this In Brief aims to provide a succinct summary of this project and some early observations to inform future triangular cooperation.

### What Is the Project About?

In August 2012, during the 43rd Pacific Islands Forum meeting in Cook Islands, New Zealand, China and Cook Islands agreed to upgrade the water supply network in Rarotonga, Cook Islands' main island and tourist hot spot. The project was officially launched in February 2014.

The estimated cost of the project is NZ\$60 million. The China Export-Import Bank provides around NZ\$23 million in a concessional loan at a 2% interest rate over 20 years. The construction of the ring main of the water supply network is entrusted to China Civil Engineering Construction Corporation (CCECC), a contractor that has dominated Chinese aid projects in the Cook Islands and Tonga (its Pacific headquarters are in Nuku'alofa). New Zealand contributes NZ\$15 million in grant funding (MFAT New Zealand 2013). The Cook Islands Government funds the balance. The Cook Islands leads the work on all other items of the network (intakes, storage, treatment, distribution mains) and project management with support from New Zealand.

The project has been progressing well. Key achievements include the completion of the project master plan, commencement of construction work on Stage One (ring mains being installed by CCECC) and completion of the detailed design for Stage Two (intakes, treatment, storage, distribution mains). It is expected the whole project will be completed by 2017.

### Motivations

New Zealand has shown strong interest in China's growing aid footprint globally and especially in the

Pacific. This project affords New Zealand an opportunity to learn about China's aid delivery. As New Zealand only offers aid to Cook Islands as grants, this project is too big for New Zealand to fund alone. Leveraging China's concessional loans to fund the project in a triangular approach provided multiple benefits. By piloting triangular partnership with China, New Zealand is keen to model its aid approach and engage on issues of New Zealand concern including infrastructure quality and debt sustainability. Because of its constitutional relations with Cook Islands, New Zealand is also keen to ensure that the concessional loan from China is well managed and will not create debt for New Zealand to inherit.

China is open about its desire to further engage with other donors. China's Vice Minister of Commerce, Yi Xiaozhun, stated China has been 'a beneficiary of international development cooperation' since the late 1970s, and will continue this process (Yi 2010). China is showing growing interest in aid cooperation with traditional donors to promote understanding and learning from their good practice in the Pacific. Another reason for this project is that the China Export-Import Bank was eager to secure a concessional loan agreement signed with the Cook Islands Government in 2009 before its expiry.<sup>1</sup> In addition, China is willing to trial triangular cooperation models when requested by recipient countries and the project is technical in nature. Te Mato Vai is such a case. A healthy bilateral relationship between China and New Zealand adds to the appeal of this project, which adds a fifth 'first' to their relations.<sup>2</sup>

Delivering reliable and good quality water supply in Rarotonga is an urgent task for the Cook Islands Government. The old water system is over 40 years old. Water quality is poor, with turbidity in wet weather and occasional odours of hydrogen sulphide. An estimated 70% of the water is lost before delivery due to pipe leakages, and water shortages are serious in the dry season (Te Mato Vai 2013). Poor water supply also poses a risk to the Cook Islands' pillar tourism industry. Another motivation is to reduce Cook Islands' debt burden by promoting

partnership with New Zealand and China. As Mark Brown, Cook Islands Finance Minister explained, Cook Islands was inspired by the spirit of development partnership at the 2011 Fourth High Level Forum on Aid Effectiveness in Busan, and initiated the idea of triangular cooperation during the forum.<sup>3</sup>

### Early Observations

This project sheds light on future triangular cooperation between China, traditional donors and recipient countries as follows.

Strong high-level political commitment from China, New Zealand and Cook Islands was crucial for this project's initiation. Good bilateral relations among them, especially the fast-growing political and trade relations between New Zealand and China, contribute to such commitment, and ensure mutual trust and respect in the process. As Cook Islands Prime Minister Henry Puna said, this project marked the deep friendship and respect between Cook Islands and its two closest friends (CENZ 2014).

Cook Islands has shown strong ownership in the initiation and implementation of the project. Rather than passively accepting proposals from China or New Zealand, the governance and project management structure was proposed by the Cook Islands. This is of great significance at a time when strengthening ownership by recipient countries remains an ongoing challenge. Transparency is emphasised by Cook Islands through the regular release of project information such as the master plan, resident petition and government response, and work notice at the Te Mato Vai website.

The three countries have established robust co-ordination mechanisms for project implementation. The Cook Islands Government has commissioned the Samoa-based company KEW Consult Ltd to manage the project. KEW reports to the Project Steering Group which involves the CCECC, the New Zealand High Commission in Cook Islands and the Cook Islands Government, and meets regularly. The Project Steering Group reports to the Governance Group — the Chinese Economic Counsellor from its New Zealand embassy, the Deputy Secretary from the New Zealand Ministry of Foreign Affairs and Trade, and the Cook Islands Finance Secretary — every six months.

This project is a relatively low-risk initiative with established technical solutions. Both China and New Zealand have wide experience in this area. As this is their first triangular project, choosing a relatively safe initiative which they feel comfortable with contributes to the initiation of the project.

While innovative and significant, it is worth noting triangular aid cooperation is at an early stage of experimentation and conclusions are yet to be drawn. Triangular projects are still just a drop in the Chinese aid bucket, globally and in the Pacific. While there is scope for more of this type of technically oriented triangular projects, they will remain exceptional and rare given the differences of the structure and motivations between traditional donors and China.

### Author Notes

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### Endnotes

1. Interview with Hon. Mark Brown, Cook Islands Finance Minister, Apia, 27 February 2015.
2. New Zealand was the first Western country to conclude a bilateral agreement with China on its accession to the World Trade Organization in 1997, to recognize China's status as a market economy in 2004, to start FTA negotiations with China in 2004, and to sign an FTA with China in 2008.
3. Interview with Hon. Mark Brown, Cook Islands Finance Minister, Apia, 27 February 2015.

### References

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