

ASIAN DEVELOPMENT BANK

**COUNTRY STRATEGY AND PROGRAM UPDATE
2004–2006**

COOK ISLANDS

July 2003

CURRENCY EQUIVALENTS

(as of 15 May 2003)

Currency Unit	–	New Zealand dollar (NZ\$)
NZ\$1.00	=	\$0.578599
\$1.00	=	NZ\$2.456010

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
AMD	–	Aid Management Division
AusAID	–	Australian Agency for International Development
CIIC	–	Cook Island Investment Corporation
COO	–	Cook Islands
CSPU	–	country strategy and program update
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MDG	–	Millennium Development Goal
MFEM	–	Ministry of Finance and Economic Management
NZAID	–	New Zealand Agency for International Development
OCR	–	ordinary capital resources
OMIA	–	Office of the Minister for Islands Administration
PCR	–	project completion report
PICTA	–	Pacific Island Countries Trade Agreement
PPTA	–	project preparatory technical assistance
RETA	–	regional technical assistance
SPREP	–	South Pacific Regional Environment Programme
TPR	–	technical assistance performance report
UNDP	–	United Nations Development Programme
VAT	–	value-added tax
WSSD	–	World Summit on Sustainable Development

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I. COUNTRY STRATEGY

1. The Government of the Cook Islands has not formally prepared a national development plan in recent years. The Budget Policy Statement for fiscal year 2003/04 (FY2004) showed the Government's commitment to fiscal discipline with a 10% reduction of the expenditure budget. The Statement reaffirmed the six key national outcomes: (i) continued support for the tourism and marine resources sector to sustain economic growth; (ii) continued emphasis of good governance through transparency and accountability principles to achieve quality services and effective management; (iii) improved health and education standards with special focus on outer island communities to maintain social cohesion; (iv) infrastructure support to meet the demands of economic and social activities; (v) continued devolution of greater authority and responsibility to the island councils where appropriate; and (vi) improved environmental management capacity with the planned enactment of the National Environment bill covering both Rarotonga and the outer islands.

2. The Asian Development Bank (ADB) strategy for the Cook Islands supports the Government's development objectives in cooperation with other development partners. The current Country Strategy and Program Update (CSPU) 2002–2004 focuses on building sustainable capacity for sound economic and public sector management, promoting economic growth, and supporting further private sector development. It has been directed toward the three broad areas of (i) policy reform, (ii) improvement of urban infrastructure, and (iii) outer island development. Given that development of the outer islands has been and will continue to be the focus of other development partners, ADB's involvement in outer island development will be limited to areas where assistance from other development partners is unavailable. The ADB strategy for the period 2004–2006 will be to assist in (i) consolidating the reform achievements through improving economic development planning capacity and reinforcing the rationalization of state-owned enterprises to improve financial returns to the government owner, and (ii) supporting further private sector growth, especially in the tourism sector, through improved public infrastructure facilities to ensure that demands for services are met with appropriate safeguards for environmental requirements. The summary statement of strategy is in Appendix 1.

II. CURRENT DEVELOPMENT TRENDS AND ISSUES

A. Recent Political and Social Developments

3. Since the 1999 election, there have been four coalition governments, with the latest government formed in February 2003. Discussions with nonstate organizations, such as the Chamber of Commerce and a number of nongovernment organizations, revealed a community perception that several of the reform measures have unraveled due to continuing political instability: for example, the lax fiscal discipline in the 2002/03 budget, continuing tax and customs exemptions that were introduced as "transitional" measures, the granting of new exemptions with inadequate consideration of the longer-term impact on government revenue, political intervention in operational public service management, and poor performance by public service managers.

4. The 2002 reports of the Auditor General to Parliament provided evidence of the low regard for legal obligations by politicians and senior public servants, and ineffective sanctions for such behavior through delays in the review process. The establishment of a new political party (Cook Island National Party) and the Group for Political Change is indicative of the level of community disenchantment with the existing political parties and the desire for change. In April

2003, Parliament considered some of the proposals contained in the petition signed by about 2,000 people (representing just under 15% of the population of around 14,000 by the 2001 census) and submitted by the Group for Political Change on the basis of the recommendations made in the report of the Commission for Constitutional Change. The effectiveness of these developments will be seen in the next election, due before September 2004.

B. Economic Assessment and Outlook

5. Economic growth has slowed following 2 years of strong momentum. Real gross domestic product (GDP) increased by only 0.3% in FY2002 (ended 30 June 2002) compared to 5.1% in FY2001, and is projected to grow by 0.4% in FY2003 and 1.0% in 2004. The decline in real GDP growth reflects a downturn in the tourism industry, the key driver of economic activity, in the wake of the September 11 events and due to a general slowdown in the world economy. Visitor arrivals declined by 9% in the first quarter of 2002 but picked up again in the second half of the year. It is expected that the Iraq war and the impact of severe acute respiratory syndrome (SARS) may reduce tourist arrivals by at least 2% in FY2003. Tourism-related subsectors of hotels, restaurants, bars, and transport and communications also experienced weaker sales.

6. Total merchandise exports dropped from US\$9.5 million in FY2001 to US\$5.8 million in FY2002, largely due to an almost 50% drop of sales of pearls, which constitute around 90% of commodity exports. It is projected that pearl exports will pick up again and increase to nearly NZ\$9 million (or US\$5.2 million) by 2005. Total merchandise imports declined by 8.8% to US\$46.3 million due to a decrease in imports of minerals and fuels, beverages and tobacco, and machinery and transport equipment. As a result, the trade deficit narrowed slightly to US\$40.5 million in FY2002 from US\$41.2 million in FY2001. The large surplus on the services trade account will help achieve a sustainable current account balance, with tourism receipts of around NZ\$84 million forming the bulk of services income. Average inflation declined from 9.4% in FY2001 to 3.9% in FY2002, and is expected to level off at about 3.5% in the medium term.

7. Net foreign assets in the banking system at the end of June 2002 were down 7% compared to the previous year. Broad money supply at the end of June 2002 was 3.1% higher than a year earlier. Nominal interest rates on deposits ranged from 1% to 3.25%, while nominal lending rates ranged between 9.75% and 16.50%.

8. The Government is committed to assist the development of the fishing industry and recent figures show that export sales from fishing increased to US\$2.3 million in 2002. Labor shortages remain a challenge for the tourism industry and are also expected to be a constraint for the commercial fishing industry. Preliminary results from the analysis of the 2001 population census indicate that the outward migration to New Zealand and elsewhere is continuing, albeit at a slower rate.

9. Reform of the tax regime with the introduction of a value-added tax (VAT) and reductions in company and income tax rates has been successful in improving economic efficiency and revenue generation. Taxation revenue has almost doubled in the last 5 years from NZ\$33 million in FY1998 to just over NZ\$60 million in FY2002. In FY2002, the Cook Islands recorded a budget surplus of NZ\$0.53 million, equivalent to 0.3% of GDP, but down from NZ\$2.7 million in the previous year. Revenues for FY2003 are expected to show a leveling-off of the collection growth seen in the past several years. Expenditures in FY2002 increased by 6.6%, mainly driven by a 9.2% rise in expenditures on goods and services. Although the FY2003 budget targets an operating surplus of about 2.6% of GDP, an overall deficit of about 2.5% of GDP is likely, reflecting higher capital expenditures and a new superannuation scheme

for Members of Parliament. Government revenue will also decrease in the short and medium term as a result of decisions relating to the removal of levies on imported goods, extending the fuel exemption to subsidize the commercial longline fishing industry and raising the income tax threshold from NZ\$6,000 to NZ\$10,000. The Cook Islands has signed the Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations between PICTA signatories and Australia and New Zealand. These agreements are expected to provide continuing impetus for further tariff reform.

10. Recent budgets have helped consolidate the fiscal position. Net debt in FY2002 declined to 69% of GDP from 76% in FY2000, with the Government maintaining a small reserve for future debt repayments. Loan reserves have grown to US\$8.6 million in FY2002. However, fiscal sustainability remains fragile since debt is still considerable and the economy is small, vulnerable, and heavily reliant on tourism. Although the book value of external debt remains high, much of it is on concessional terms, and servicing is therefore manageable, provided that the fiscal stance remains prudent.

C. Implications for Country Strategy and Program

11. ADB's current operational strategy in the Cook Islands focuses on building sustainable capacity for sound economic, financial, and public sector management, and promoting economic growth through private sector development and outer island development. The strategy for 2004–2006 will focus on building sustainable capacity for sound economic and public sector management, and improving urban infrastructure to meet the needs of commerce and citizens. ADB's involvement in outer island development will be deferred, given that the key constraint is not the availability of funds, but rather the limited capacity of island administration and the inadequate coordination and extension services from various line ministries.

12. Although the need for capacity building in the public sector, especially in outer island administration, is becoming increasingly apparent, it is important to take account of the absorptive capacity and sustainability of training, given labor mobility, competition for skilled labor, and the level of education and demography in the outer islands. Current assistance activities by the United Nations Development Programme (UNDP) and New Zealand Agency for International Development (NZAID) are designed to improve the administrative capacity of outer islands councils and the Office of the Minister for Islands Administration (OMIA). Indications are, however, that such activities may not be sustainable as external agencies and the Government have taken little account of the absorptive capacity of staff and the level of education and skills that can be found in the majority of the outer islands. In recent years, there has been a substantial shift in the allocation of public resources toward the outer islands; funding for capital expenditure for outer island development has averaged around \$6.0 million annually (for a total population just under 5,600 in 2001). That funding is not a constraint is evidenced by the low level of completion of the NZAID infrastructure projects and under spending of the Outer Islands Development Grant Fund every year. The challenge may lie in improving management, project planning, and management skills of the OMIA to enhance the planning, design, management, and coordination of projects, as such skills are missing on the islands. NZAID is providing technical assistance to OMIA in this area.

13. The reform program of the late 1990s recognized the need for improving capacity in public sector economic and financial management. Continuing support has been provided by ADB, Australian Agency for International Development (AusAID), and NZAID to a number of institutions such as the Ministry of Finance and Economic Management (MFEM), Public Service Commission, and Audit Office to enhance capacity of the central agencies to provide advice and

leadership as well as strengthening the capacity of line ministries to better manage the available resources.

14. The importance of a national strategic development plan is recognized by the Government. Private sector businesses indicated support, especially if such a document is developed with input from the community through a transparent and apolitical process. Capacity to support the initiative does not currently exist in MFEM; policy development and analysis skills are limited in ministries and there is no unit devoted to analysis and prioritization of proposed policies and projects to ensure consistency with the national development priorities before they are considered by the cabinet. The Minister of Finance requested ADB assistance to develop capacity, and implement systems and procedures in this area. It is worth noting that the Prime Minister's office, together with MFEM, are working on the implications of the World Summit on Sustainable Development (WSSD) agreement with a view to identify national sustainable development projects to be funded by development partners.

15. The growth of the tourism industry in Rarotonga and Aitutaki warrants consideration for the further development of public infrastructure in energy, water, and sanitation on the two islands. The Rarotonga Electricity Authority indicated funding needs for the purchase of a new diesel generator in 2005 to meet projected demand. The Authority's analysis revealed that demand for electricity in Rarotonga has doubled in the last 10 years, despite population reduction of a third for the same period. This is due to the increase in the use of household appliances and increased use of air conditioning. A review of the water and sanitation infrastructure on the two islands may be overdue given the recent and projected growth of tourist numbers and the lack of any significant reservoir capacity. The Government acknowledged the need for an investigation to examine the current and projected requirements for water and sanitation services, including a review of the current administrative and commercial arrangements for the provision of these services. Introducing competition and user charge principles into the provision of public utilities will become a major area for policy dialogue.

III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress under the Poverty Partnership Agreement

16. The Cook Islands has already achieved several targets specified in the Millennium Development Goals (MDGs) (Appendix 2, Table A2.1): universal primary enrollment for boys and girls, the elimination of gender disparity in primary and secondary education, low and decreasing child and maternity mortality rates, and access to safe drinking water. However, these achievements need to be closely monitored as falling per capita spending on health and education in recent years may undermine the progress already made. Another challenge is to raise the comparatively low secondary enrollment and retention rates, particularly on the outer islands. A Poverty Partnership Agreement was signed with ADB in 2002, providing a framework for tracking progress toward shared development targets, and ADB, through this partnership, will assist the Government in improving progress toward specific MDGs. The proposed assistance to improve the Government's capacity to develop and maintain a national strategic plan linked to the WSSD Agreement and MDGs will help track achievements in this area, to maintain its positive ranking: among the Pacific Developing Member Countries, the Cook Islands is ranked first on the Human Development Index and second on the Human Poverty Index (See Appendix 2, Table A2.4).

B. Progress in the Country Strategy and Program Focus Areas

17. **Good Governance.** The reform program undertaken in 1996 introduced legislation that aims to improve economic and financial management, clarify authority and accountability of public service departments and crown agencies, and distinguish ministerial authority and power from those of heads of ministries and agencies. However, it is generally acknowledged that there have been breaches of these legislative provisions in the last few years, particularly regarding ministerial intervention in departmental operational management and lack of compliance with legislative requirements on public service appointments. The devolution policy is seen to have been rushed through, with little attention given to issues of capacity, resources, and views of the island communities. A clear policy and legal framework for outer island development still needs to be formulated, as the local government bill, which is to underpin the devolution process, is into its 13th draft. The Public Service Commissioner has requested ADB's assistance under its regional technical assistance (RETA) 6085¹ to facilitate a workshop to improve understanding of legislative requirements imposed on heads of ministries, island secretaries, and the implications for ministers in the exercise of their authority, and the role of civil society in helping monitor public service performance.

18. **Private Sector Development.** The private sector has been successful in exploiting business opportunities in tourism, pearls, and recently, fishing industries. Some development of low-cost ecotourism facilities in the southern islands (Atiu, Mangaia, Mitiaro) has been facilitated by the Tourism Corporation and the domestic airline. The role of government in this area is therefore to maintain fiscal stability, attend to the infrastructure needed by commerce, and ensure an appropriate investment climate, both domestic and foreign, including decisions on how much and what parts of the economy may be open to foreign ownership and operation. Beyond that, investment risks are best left to private investors and their commercial bankers. The Economic Restructuring Reform of the late 1990s did not examine fully all government commercial agencies and activities. The Cook Island Investment Corporation (CIIC) is responsible for managing all government land and buildings, equity investments, and state-owned enterprises (many of which are monopolies). Consultation on a new draft of the Foreign Investment bill is being undertaken. A Commerce Commission bill is also being circulated for comment by the private sector and civil society. A mission from the International Monetary Fund (IMF) visited the Cook Islands in April 2003 to review progress of government actions to date to comply with the Organisation for Economic Co-operation and Development's anti-money laundering requirements. It recommended that further work be undertaken by the Government to ensure full compliance. Three of the five required pieces of legislation have been amended and passed by the Government since the IMF visit. Also, a wide range of serious environmental constraints and risks face the tourism sector, especially in Rarotonga and Aitutaki. Existing and future requirements (under the Environment bill's environment impact assessment process and other related provisions) for significant new tourism developments to install high-standard sewage treatment facilities and adopt solid-waste management plans will have to be strictly enforced. Enactment of the Environment bill will be an important step in this direction.

19. **Gender and Human Development.** Women play an important role in Cook Island society. Although they are underrepresented in Parliament (two out of a total of 25 Members), they are important traditional leaders and are actively engaged in nongovernment organizations. Women also have a significant role at the managerial level in the commercial sector and government agencies. NZAID is continuing its support in this area with its program of training, scholarships, and funding of the gender and development project, phase II.

¹ ADB. 2002. *Technical Assistance for Preparing a Pacific Governance Strategy*. Manila.

20. **Environmental Sustainability.** The Government is strongly encouraged to enact as soon as possible the Environment bill. Implementation of the new environmental impact assessment process included in the bill will foster better environmental management and mitigation measures for new investments, especially in the tourism sector. The planned advisory technical assistance (ADTA) to support the development of a regulatory framework for the effective implementation of new environmental legislation will have to await the enactment of the bill. The Environment Service has requested assistance to prepare a management plan for the Suvarrow bird sanctuary. This will be considered under the proposed ADTA's components relating to the implementation of the bill's parts on protected areas and related management plans. With regard to regional activities, the Cook Islands has recently been selected as one of the two Pacific developing member countries for the implementation of country-level activities under a regional TA.² In addition, the country has also been covered by work undertaken under RETA 6039.³ Social and environmental indicators are in Appendix 2, Tables A2.3 and A2.5, respectively. A draft on the country programming environment brief was prepared for the Cook Islands and is in Appendix 5.

C. Highlights in Coordination of External Funding and Partnership Arrangements

21. ADB has closely coordinated with other development partners that are active in the Cook Islands. The decision to defer ADB's assistance to outer islands development resulted from the recommendation of the project preparatory technical assistance (PPTA) and discussions with relevant funding agencies, in particular the New Zealand High Commission, on their current and medium-term assistance plan to the outer islands. However, there is currently no central coordination and monitoring of aid requests and projects in the Cook Islands, resulting in the potential for overlapping and/or duplication of requests. Line ministries such as Education, Foreign Affairs, Health, Internal Affairs, and OMIA are responsible for liaising with different aid organizations. The Aid Management Division (AMD) only deals with programs by AusAID, NZAID, and one of the ADB projects (Loan 1832-COO [SF] Waste Management).

22. Given that the AMD is a division of MFEM, a merger of the AMD with the economic planning unit of MFEM may be a good starting point in aid coordination. Subsequently, a review of aid requests and monitoring arrangements across the public sector would help improve coordination further. Improvement in aid coordination will be subject to review under the proposed TA, Strengthening Economic and Strategic Planning Capacity, in 2003. Appendix 2, Table A2.6 provides a description of external assistance by major development partners.

23. In conjunction with its lending program for 2004–2006, ADB will continue to actively pursue cofinancing from official sources (especially grant cofinancing sources) to effectively address the important thematic priorities for ADB operations in the Cook Islands and to enhance, together with development partners, its assistance to the country. ADB will maintain its dialogue with the Government to identify appropriate cofinancing for the projects proposed in this CSPU.

² ADB. 2002. *Technical Assistance for a Climate Change Adaptation Program for the Pacific*. Manila.

³ ADB. 2002. *Technical Assistance for Formulation of the Pacific Region Environmental Strategy 2004–2008*. Manila.

IV. PORTFOLIO MANAGEMENT ISSUES

A. Portfolio Performance

24. As of 31 December 2002, cumulative lending by ADB totaled 12 loans with a value of \$26.7 million from the Asian Development Fund (ADF) since the Cook Islands joined ADB in 1976. Project completion reports (PCRs) have been prepared for 9 of them and 3 projects have been post evaluated: 2 are rated generally successful and 1 unsuccessful.⁴ Since 1976, a total of US\$8.0 million in TA grants has been provided for 25 projects. One PPTA⁵ and one ADTA⁶ are currently ongoing. Details of the portfolio performance and disbursements are shown in Appendix 2, Tables A2.7 and A2.8.

25. The Waste Management Project⁷ is progressing, albeit with an 8-month delay relative to the original schedule. Due to the recent appreciation of the New Zealand dollar, there is expected to be a shortfall of around NZ\$1.1 million. The Government has agreed to fund this shortfall from its own resources. The ADTA on Improvement of Corporate Management of Government Services is progressing well. The Government has requested continued assistance to extend the pilot implementation to include training to all ministries, crown agencies, and island administrations. The ADTA on Capacity Building in Environmental Monitoring, Regulation and Community Participation was included in the 2002 pipeline, but has not been effective due to the delay in the enactment of the National Environment bill. The bill is expected to be considered by Parliament at its July 2003 session. Appendix 2, Table A2.9 shows the details of project implementation status.

B. Performance Monitoring and Evaluation

26. ADB's project monitoring and evaluation (M&E) techniques have been introduced in the Cook Islands in step with their development within ADB, in particular the use of the pilot technical assistance project review (TPR) system. M&E carried out on ADB-financed projects indicates good progress in project implementation.

V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS

A. Lending Level Proposed

1. Lending Level

27. Consistent with ADB's policy on performance-based allocations for ADF funding, the level of ADF funds allocated to the Cook Islands is linked to country performance with respect to macroeconomic management (through achievement of levels of expenditure and affordability of

⁴ Rated generally successful were Loan 1466-COO(SF): *Economic Restructuring Program*, for US\$5.0 million, approved on 26 September 1996; and Loan 1588-COO(SF): *Cyclone Emergency Rehabilitation*, for US\$800,000, approved on 8 December 1997. Loan 1309-COO(SF): *Pearl Industry Development Project*, for US\$817,000, approved on 30 August 1994, was rated unsuccessful.

⁵ ADB. 2001. *Technical Assistance to the Cook Islands for Preparing the Outer Islands Development Program*. Manila.

⁶ ADB. 2001. *Technical Assistance to the Cook Islands for Improving Corporate Management in Government Services*. Manila.

⁷ ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Cook Islands for Waste Management*. Manila.

future debts in accordance with the benchmarks established under the Manila Agreement),⁸ structural reforms, and a countrywide policy of improving environmental management and monitoring. ADB's loans to the Cook Islands are small and infrequent, with lending of about US\$5.3 million foreseen during the next 3 years. The split between ADF and ordinary capital resources (OCR) lending will depend on the type of projects: projects that involve agencies operating on commercial lines (such as the power generation review project) will be OCR lending, while projects that have a large poverty reduction component or involve policy change (such as the water and sanitation management project) will be eligible for ADF financing. Agreed performance indicators (triggers) are presented in Appendix 2, Table A2.12. For 2004–2006, two loans totaling US\$5.3 million have been included in the program: US\$2.3 million and US\$3.0 million for OCR and ADF funding, respectively. Details of the lending program are shown in Appendix 2, Table A2.10.

28. Depending on ADF resource availability in 2004, the ADF lending program will need to be reviewed. The issue will be revisited and confirmed during the Country Program Confirmation Mission. The 2005 and 2006 ADF lending program will depend on the outcome of the discussions regarding ADF replenishment.

2. Graduation Policy

29. Under ADB's 1998 graduation policy for its developing member countries, the Cook Islands is a group B1 country and is eligible for ADF borrowing with limited amounts of borrowing from OCR. However, the policy states that limited OCR eligibility will only apply after the external debt position improves. ADB carried out an assessment of the capacity of the Cook Islands to undertake new borrowings in line with the Manila Agreement. The report concluded that the restructuring of the debts owed to the governments of Italy, Nauru, and New Zealand, together with the setting aside of funds in a loan repayment reserve account, have helped to reduce the net debts of the country to a more manageable level. The Government has decided to include the debt service ratios recommended in the assessment report in the agreed performance triggers.

B. Nonlending Program

30. The Minister for Finance requested that assistance be provided under the 2003 TA program to strengthen MFEM's capacity to undertake economic and development planning. The TA will help strengthen the economic policy division within MFEM through (i) capacity building in policy analysis; and (ii) prioritization and consultation to develop a national strategic plan that incorporates the items that were agreed at the World Summit on Sustainable Development in 2002, and that includes the MDGs (with appropriate targets and indicators) to ensure that annual resource allocation decisions consistently reflect these priorities. A PPTA is included in the 2004 nonlending program to review the energy needs of Rarotonga, leading to a loan in 2005 for the acquisition of additional least-cost power generation capacity. As the tourism industry is likely to remain the key to economic growth of the Cook Islands, it is essential that a review is carried out of the water and sanitation infrastructure of Rarotonga and Aitutaki, the main tourist destinations, to ensure that the infrastructure can support the projected demand growth of the two islands.

⁸ The Economic Restructuring Program (1996 – 1998) included ADB assistance to facilitate a restructuring of the unsuccessful commercial ventures by the Government in the early 1990's. The parties to the Manila Agreement include the governments of Italy, Nauru and New Zealand. The parties agreed to restructure the amount, interest rates, and duration of the loans to enable the Cook Islands to overcome the fiscal crisis at the time.

31. Technical support for the reform program (phase 3) may be warranted in 2005; it is proposed that the TA should focus on the management and performance-monitoring arrangements for state-owned enterprises and the Government's property asset portfolio. The Cook Island Investment Corporation was established during the reform period to assume the role of government owner, asset manager, and regulator. Assuming that the Commerce Commission bill will be enacted in 2003 with implementation planned for 2004, a review of this area of government activities in 2005 would appear to be timely. Details of the nonlending program are shown in Appendix 2, Table A2.12.

C. Summary of Changes to Lending and Nonlending Program

32. The major change in the program is ADB's deferred involvement in the outer island development program. The consultants' draft final report under PPTA 3765-COO: Preparing the Outer Islands Development Program, concluded that there is adequate funding to support development of public infrastructure (wharf, airstrips, energy, water, schools, and hospitals) provided by other development partners as well as funding to support small-scale private businesses under NZAID's Outer Islands Development Grant Fund. The absorptive capacity of the outer islands administration and communities calls for a slower pace of implementation in the next few years. It is possible that assistance may be needed in 2006 to review progress of outer island devolution, capacity building, and business development activities to determine whether it is necessary for ADB to re-engage in this area.

33. For 2004 and 2005, the program should focus on supporting government initiatives to increase economic activities by the private sector through better public infrastructure to ensure the continued and increased number of tourist arrivals, while protecting the fragile environment of the Cook Islands on which tourism depends. Support for the reform program (phase 3) may be called for to review performance of state-owned enterprises in light of the competition legislation following its enactment and implementation planned for 2004. Appendixes 3 and 4 provide the concept papers for the assistance pipeline for 2004–2006.

SUMMARY STATEMENT OF STRATEGY

Objectives	Local Capacity Building for Sound Economic and Financial Management	Improved Public Infrastructure to Support Private Sector Growth	Environmental Protection
Strategic Focus	<ul style="list-style-type: none"> • Strengthen medium-term improved development planning capacity • Enhance management of ministries and public enterprises • Improve governance 	<ul style="list-style-type: none"> • Improve quality and accessibility of essential services • Ensure adequate physical infrastructure to support private sector growth 	<ul style="list-style-type: none"> • Improve environment protection
Ongoing and Proposed Loans		<ul style="list-style-type: none"> • Waste Management (2001) • Power Generation for Rarotonga (2005) • Water and Sanitation Management for Rarotonga and Aitutaki (2006) 	
Ongoing and Proposed Technical Assistance	<ul style="list-style-type: none"> • Improving Corporate Management in Government Services (2001) • Strengthening Economic and Development Planning Capacity (2003) • Review of State-Owned Enterprises Arrangements and Government Asset Management (2005) • Review of Progress of Outer Islands Development (2006) 	<ul style="list-style-type: none"> • Review of Power Generation for Rarotonga (2004) • Review of Water and Sanitation Management for Rarotonga and Aitutaki (2005) 	<ul style="list-style-type: none"> • Capacity Building in Environmental Monitoring, Regulation, and Community Participation (2003)
Other Assistance	<ul style="list-style-type: none"> • Participation under RETA 6085: Preparing a Pacific Governance Strategy (2002) 		<ul style="list-style-type: none"> • Participation under RETA 6064: Climate Change Adaptation Program for the Pacific (2002)
Target Outcomes	<ul style="list-style-type: none"> • Enhanced consistency of government resource allocation and development objectives • Improved returns from state-owned enterprises and government asset portfolio • More efficient and smaller public sector 	<ul style="list-style-type: none"> • Enhanced quality of essential services while protecting the environment • Enhanced access and equity to essential public services 	<ul style="list-style-type: none"> • Enhanced capacity to monitor and enforce compliance for environment protection

COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

Table A2.1: Progress Toward the Millennium Development Goals and Targets

Goals and Targets	1991	1996	Latest Year	
Goal 1. Eradicate Extreme Poverty and Hunger				
Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015				
1. Proportion of population below US\$1 per day (PPP-values) (%)	—	—	—	
2. Poverty gap ratio	—	—	—	
3. Share of poorest quintile in national consumption (%)	—	—	—	
Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015				
4. Prevalence of child malnutrition (% of children under 5)	—	10.0 ^a (1997)	—	
5. Proportion of population below minimum level of dietary energy consumption (%)	—	—	—	
Goal 2. Achieve Universal Primary Education				
Target 3: Attain 100 percent primary school enrolment by 2015				
6. Net enrollment ratio in: (%)	(1993)	(1998/99)		
Primary education	98.0 ^a	89.7 ^b	84.6 ^b	(2000/01)
Secondary education	—	60.1 ^b	58.8 ^b	(2000/01)
Tertiary education	—	—	—	
7. Proportion of pupils starting Grade 1 who reach Grade 5	—	—	51.5 ^c	(1998)
8. Literacy rate of 15-24 year olds (%)	—	—	—	
Goal 3. Promote Gender Equality and Empower Women				
Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015				
9. Ratio of girls to boys in: (%)		(1998/99)		
Primary education		91.0 ^{b,d}	86.0 ^b	(2000/01)
Secondary education		102.0 ^{b,d}	100.0 ^b	(2000/01)
10. Ratio of young literate females to males (% of age group 15-24)	—	—	—	
11. Share of women in wage employment in the non-agricultural sector	38.4 ^c (1990)	38.2 ^c (1993)	—	
12. Proportion of seats held by women in national parliament	—	—	—	
Goal 4. Reduce Child Mortality				
Target 5: Reduce infant and child mortality by two-thirds from 1990 to 2015				
13. Under-5 mortality rate (per '000 live births)	32.0 ^c (1990)	29.0 ^c (1995)	24.0 ^c (2000)	23.0 ^d (2001)
14. Infant mortality rate (per '000 live births)	25.9 ^e	23.5 ^e	19.4 ^e (2000)	12.8 ^e (2001)
15. Proportion of 1 year old children immunized against measles	—	—	76.0 ^f	(2000)

Goals and Targets	1991	1996	Latest Year
Goal 5. Improve Maternal Health			
Target 6: Reduce maternal mortality rate by three-quarters between 1990 and 2015			
16. Maternal mortality ratio (per 100,000 live births)	—	—	0.0 ^f (1999)
17. Births attended by skilled health staff (% of live births)	99.0 ^{c, g}	100.0 ^a (1995-97)	100.0 ^f (1998)
Goal 6. Combat HIV/AIDS, Malaria and Other Diseases			
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS			
18. HIV prevalence rate among 15-24 year old pregnant women	—	—	—
19. Contraceptive prevalence rate (% of women aged 15-49)	40.0 ^{g, h}	63.2 ^c	53.0 ^a (1995-1998)
20. Number of children orphaned by HIV/AIDS	—	—	—
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases			
21. Malaria:			
Prevalence rate (per 100,000 people)	—	—	—
Death rate (per 100,000 people)	—	—	6.0 ^c (2000)
22. Proportion of population in malaria risk areas using effective malaria prevention & treatment measures	—	—	—
23. Tuberculosis:			
Prevalence rate (per 100,000 people)	—	18.3 ^f (1999)	26.0 ^c (2000)
Death rate (per 100,000 people)	—	—	4.0 ^c (2000)
24. Proportion of TB cases:			
DOTS detection rate (%)	—	0.0 ^c	67.0 ^c (2001)
DOTS treatment success (%)	—	50.0 ^c (1997)	80.0 ^c (1999)
Goal 7. Ensure Environmental Sustainability			
Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources			
25. Forest area (% of total land area)	95.7 ^{c, d} (1990)	—	95.7 ^{c, d} (2000)
26. Nationally protected areas (% of total land area)	—	0.01 ^{c, d} (1997)	—
27. GDP per unit of energy use (PPP \$ per kg oil equivalent)	—	—	—
28. Carbon dioxide emissions (per capita metric tons)	1.189 ^{c, i}	1.164 ^{c, i}	1.591 ^{c, i} (1999)
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water			
29. Access to an improved water source (% of population)			
Total	(1990) 100.0 ^j	(1999) 100.0 ^j	100.0 ^j (2000)
Urban	100.0 ^j	100.0 ^j	100.0 ^j (2000)
Rural	100.0 ^j	100.0 ^j	100.0 ^j (2000)

Goals and Targets	1991	1996	Latest Year
Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers			
30. Access to improved sanitation (% of population)	(1990)	(1999)	
Total	100.0 ⁱ	100.0 ⁱ	100.0 ⁱ (2000)
Urban	100.0 ⁱ	100.0 ⁱ	100.0 ⁱ (2000)
Rural	100.0 ⁱ	100.0 ⁱ	100.0 ⁱ (2000)

Note: — means “no data available”

^a UNDP, Pacific Human Development Report (1994, 1999)

^b UNESCO, Institute for Statistics (<http://portal.unesco.org/uis>); UNESCO, *Statistical Yearbook*

^c United Nations Statistics Division (UNSD), Millennium Indicator Database (2003) (<http://millenniumindicators.un.org>)

^d United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)/UNDP, Promoting the Millennium Development Goals in Asia and the Pacific: Meeting the Challenges of Poverty Reduction (2003).

^e Cook Islands Statistics Office, Cook Islands (Annual/Quarterly) Statistical Bulletin (2001, 2002).

^f WHO, Western Pacific Region Health Data Bank (rev/2001) (<http://wpro.who.int>).

^g Refers to available data nearest the year/period indicated in the column heading.

^h ADB, Regional Technical Assistance (RETA) 5907-Poverty Assessment in PDMCs, Discussion Papers (2001); ADB, *Key Indicators 2002*; ADB, *Cook Islands 2001 Economic Report: Policies for Progress*

ⁱ UNSD, United Nations Framework Convention on Climate Change-Carbon Dioxide Information Analysis Center (UNFCCC-CDIAC).

^j UNICEF/WHO, Joint Monitoring Programme for Water Supply and Sanitation (Coverage Estimates 1980-2000); UNICEF/WHO/Water Supply and Sanitation Collaborative Council, *Global Water Supply and Sanitation Assessment 2000 Report*.

Sources: Unless otherwise specified, basic data are from the Census of Population and Dwellings (1991, 1996, 2001) and the Household Income and Expenditure Survey (1986, 1998). A primary source used is the Secretariat of the Pacific Community (SPC) on-line database, *Pacific Regional Information System (PRISM)*—a database on Statistical Information about Pacific Island Countries and territories (<http://www.spc.int/PRISM/>).

Table A2.2: Country Economic Indicators

Item	Fiscal Year					
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
A. Income and Growth						
1. GDP per Capita (\$, current)	5049	5242	4909	5648	5471	5946
2. GDP Growth (% , in constant prices)	(1.5)	(3.5)	0.7	7.9	5.1	0.3
Agriculture ^a	12.2	(17.2)	(28.2)	32.3	(24.0)	—
Industry ^a	6.4	3.3	7.0	6.8	(0.8)	—
Services ^a	(6.9)	(1.2)	13.5	6.4	0.4	—
B. Saving and Investment (current market prices)						
1. Gross Domestic Investment	—	—	—	—	—	—
2. Gross Domestic Saving	—	—	—	—	—	—
C. Money and Inflation (annual percent change)						
1. Consumer Price Index ^b	(1.2)	1.2	1.3	1.7	9.4	3.9
2. Total Liquidity (M2)	31.2	12.1	16.7	4.8	14.4	3.2
D. Government Finance (percent of GDP)						
1. Total Revenue and Grants	37.9	37.7	33.1	36.3	44.0	43.4
2. Total Expenditure and Onlending	38.1	40.2	35.5	38.2	42.5	43.2
3. Overall Fiscal Surplus / Deficit (-)	(0.2)	(2.5)	(2.4)	(1.9)	1.5	0.3
E. Balance of Payments						
1. Merchandise Trade Balance (% of GDP)	(42.5)	(47.6)	(43.3)	(48.7)	(54.6)	(50.4)
2. Current Account Balance (% of GDP) ^a	(3.7)	(2.9)	(2.2)	(2.6)	6.3	6.3
3. Merchandise Export (\$) growth (annual % change)	(39.5)	(10.0)	41.2	38.6	100.9	(39.1)
4. Merchandise Import (\$) growth (annual % change)	(4.8)	(10.2)	(3.6)	18.0	13.0	(8.8)
F. External Payments Indicators						
1. Gross Official Reserves (\$ million, end of period) ^c	10.8	9.5	13.9	13.0	16.4	—
- in months of imports	—	—	—	—	—	—
2. External Debt Service (% of exports of goods & services) ^a	11.0	3.7	4.8	3.5	3.5	—
3. External Debt (% of GDP)	32.7	83.0	77.3	73.7	70.7	67.2
G. Memorandum Items:						
1. GDP (current prices, NZ\$ million)	146.7	145.3	151.0	163.6	177.7	186.3
2. Exchange Rate (NZ\$ per dollar, annual average)	...	1.7	1.7	2.0	2.4	2.3
3. Population (million)	0.017	0.017	0.016	0.015	0.014	0.014

Note: — means not available, GDP = gross domestic product.

^a Period average; fiscal year ends 30 June.

^b In calendar year, ending 31 December.

^c Net foreign assets.

Note: 2002 CPI data is average for January to September 2002.

Sources: *Cook Islands Budget Policy Statement 2002/03*, Ministry of Finance and Economic Management; *Cook Islands Quarterly Statistical Bulletin*, various issues; Cook Islands Statistics Office; Asian Development Bank estimates.

Table A2.3: Country Social Indicators

Item	1991	1996	Latest Year
1. Demographic Indicators			
Total Population ('000)	18.617	19.103	18.027 (2001 est.)
Annual Population Growth Rate (% change)	1.1 (1986-91)	0.5 (1991-96)	-1.2 (1996-2001)
Dependency Ratio (% of dependents to working age)	67.3	79.0	68.6 (2001)
Rarotonga	54.4	68.0	58.7 (2001)
Southern Group	86.5	94.7	94.3 (2001)
Northern Group	89.9	100.1	92.7 (2001)
Total Fertility Rate (births per woman)	4.2 ^a	3.2 ^b (1998)	2.6 ^c (1999)
Ave. Household Size	5.1 ^d	3.1	4.4 ^e (2000)
2. Health			
Life Expectancy at Birth (years)	—	69.9 ^c (1995-97)	72.0 ^f (1998)
Male	69.0 ^a (1990)	68.4 ^c (1995-97)	71.0 ^f (1998)
Female	73.0 ^a (1990)	71.5 ^c (1995-97)	74.0 ^f (1998)
Population with Access to Health Services (%)	100.0 ^f (1993)	100.0 ^f (1997)	100.0 ^c (1998)
Urban	—	—	100.0 ^c (1998)
Rural	—	—	100.0 ^c (1998)
Population per Doctor	—	910.0 ^f (1995-97)	1338.0 ^c (1998)
Government Expenditure on Health			
As % of Total Government Spending	9.6 ^g (1991/92)	8.4 ^g (1996/97)	5.3 ^g (2001/02)
As % of GDP	5.0 ^g	3.1 ^g	2.3 ^g (2001)
3. Education			
Adult Literacy Rate (%)	99.0 ^f (1993)	93.0 ^f	100.0 ^c (1998)
Male	99.0 ^f (1993)	93.0 ^f	100.0 ^c (1998)
Female	99.0 ^f (1993)	94.0 ^f	100.0 ^c (1998)
Combined Gross School Enrollment Ratio	—	62.2 ^h (1998/99)	60.3 ^h (2000/01)
Male	—	61.8 ^h (1998/99)	60.6 ^h (2000/01)
Female	—	62.7 ^h (1998/99)	59.9 ^h (2000/01)
Gross Primary Enrollment (% of aged 5-14 years)	—	101.2 ^h (1998/99)	96.0 ^h (2000/01)
Male	—	101.4 ^h (1998/99)	98.4 ^h (2000/01)
Female	—	100.9 ^h (1998/99)	93.4 ^h (2000/01)
Gross Secondary Enrollment (% of aged 15-19 years)	—	61.6 ^h (1998/99)	60.2 ^h (2000/01)
Male	—	58.9 ^h (1998/99)	58.0 ^h (2000/01)
Female	—	64.6 ^h (1998/99)	62.5 ^h (2000/01)

Student-Teacher Ratio (no. of students per teacher)	—	16.6 (1998)	16.1 (1999)
Primary	16.0 ⁱ (1992/93)	17.3 ^h	18.0 ^h (2000/01)
Secondary	13.0 ⁱ (1992/93)	—	14.0 ⁱ (2000/01)
Government Expenditure on Education			
As % of Total Government Spending	11.8 ^g (1991/92)	8.8 ^g (1996/97)	19.0 ^g (2001/02)
As % of GDP	6.1 ^g	3.3 ^g	8.3 ^g (2001)

Note: — means no data available.

^a ADB, *Key Indicators 2002*

^b Total Fertility Rate by Country-Oceania (<http://www.overpopulation.com>)

^c WHO, Western Pacific Region Health Data Bank (rev/2001) (<http://wpro.who.int>)

^d United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Mean Household Size and Change (<http://www.unescap.org/theme/poptab05.htm>)

^e SPC, Oceania Population (2000, 2002) (<http://spc.int/demog>)

^f UNDP, *Pacific Human Development Report* (1994, 1999)

^g Cook Islands Statistics Office, *Cook Islands Annual Statistical Bulletin (2002)*

^h UNESCO, Institute for Statistics (<http://portal.unesco.org/uis>); UNESCO, *The Education for All (EFA) 2000 Assessment: Country Reports* (<http://www2.unesco.org/wef/countryreports>)

ⁱ ADB, *Cook Islands 2001 Economic Report: Policies for Progress*

Sources: Unless otherwise specified, basic data are from the Census of Population and Dwellings (1991, 1996, 2001) and the Household Income and Expenditure Survey (1986, 1998). A primary source used is the Secretariat of the Pacific Community (SPC) on-line database, *Pacific Regional Information System (PRISM)*—a database on Statistical Information about Pacific Island Countries and territories (<http://www.spc.int/PRISM/>).

Table A2.4: Country Poverty Indicators

Item	1990	1994	Latest Year
1. Development Progress Indices			
Human Development Index (HDI)	—	0.985	0.822 (1998)
PDMC Rank	—	1	1
Human Poverty Index (HPI)	—	—	6.1 (1998)
PDMC Rank	—	—	2
Composite Vulnerability Index	—	—	—
PDMC Rank	—	—	—
Gender-Related Development Index	—	—	—
Global Rank	—	—	—
2. Other Poverty Indicators			
Poverty Gap Ratio	—	—	—
Poverty Severity Index	—	—	—
Gini Coefficient	—	—	—
Average per Capita Household Income			
H20	—	—	—
L20	—	—	—
Income Ratio (H25/L25)	—	—	3.25 (1998)

Note: — means not available, PDMC = Pacific developing member country.

Sources: ADB, RETA 5907 Discussion Papers (2001); UNDP, *Pacific Human Development Reports 1994 and 1999*.

Table A2.5: Country Environment Indicators

Item	1990	Latest Year
1. Energy Efficiency of Emissions		
Traditional Fuel Use (% of total energy use)	—	—
2. Water Pollution		
Water Bodies Exceeding Contact Recreation Standards		
Biological Oxygen Demand (BOD)	—	—
Chemical Oxygen Demand (COD)	—	—
3. Air Pollution		
Carbon Dioxide (CO ₂) Emissions		
Total (millions of metric tons)	0.022	0.029 (1999)
Per unit of GDP (kg/PPP\$ GDP)	—	—
Sulphur Dioxide (SO ₂) Emissions		
Per capita (kilograms)	—	—
4. Land Use and Deforestation		
Total Land Area (sq. km)	236.7	236.7 (2002)
Average Annual Deforestation		
Area (remaining sq. km)	—	—
% change	—	—
Arable Land (% of total land)	9.0 (1993)	17.4 (1998)
Cropland, Permanent (% of total land)	13.0 (1993)	13.0 (1998)
Pastures, Permanent (% of total land)	0.0 (1993)	0.0 (1998)
Population Density, Rural (people per sq. km)	—	—
5. Biodiversity and Protected Areas		
Nationally Protected Area(s)		
Area (sq. km)	2.0 (1997)	3.6 (1998)
Number	—	5 (1998)
World Heritage Sites (number)	—	—
Mammals (number of threatened species)	—	—
Birds (number of threatened species)	—	—
6. Urban Areas		
Urban Population		
% of total population	57.9	59.3 (1999)
Per Capita Water Use (liters/day)	200.0 (1981)	—
Wastewater Treated (%)	—	—
Solid Waste Generated per Capita (kg/day)	—	—

Note: — means no data available.

Source: Central Intelligence Agency, *The World Factbook—Cook Islands* (2001, 2002) (<http://www.cia.gov>); Cook Islands Statistics Office, *Cook Islands Annual Statistical Bulletin* (2001); UNICEF/WHO/Water Supply and Sanitation Collaborative Council, *Global Water Supply and Sanitation Assessment 2000 Report*; United Nations Statistics Division (UNSD), Millennium Indicator Database (2003) (<http://millenniumindicators.un.org>); SPREP, *Action Strategy for Nature Conservation in the Pacific Islands Region* (1999–2002); SPREP/ADB, *Cook Islands State of the Environment Report* (SOE) 1993; World Health Organization, Western Pacific Region Health Data Bank (rev/2001) (<http://wpro.who.int>).

Table A2.6: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
A. Education		<ul style="list-style-type: none"> • Scholarship funding, in-country training, and review of national human resource planning (NZAID) • Maintenance of outer islands school buildings (NZAID) • Budget support for maintenance of teachers' housing and computer equipment for outer island schools (EU)
B. Health		<ul style="list-style-type: none"> • Refurbishing of outer islands health clinics (NZAID) • Budget support for outer islands health infrastructure (EU)
C. Private Sector Development		<ul style="list-style-type: none"> • Drafting of the Commerce Commission bill (AusAID) • Hospitality and tourism training (NZAID) • Funding support to outer islands small business project (NZAID) • Support to the Small Business Enterprise Center (NZAID)
D. Economic and Public Sector Reform	<p>Ongoing:</p> <ul style="list-style-type: none"> • Capacity building in corporate planning to improve accountability and performance of government agencies <p>Programmed:</p> <ul style="list-style-type: none"> • Strengthening economic and development planning capacity • Review of public enterprise performance • Review of progress in outer islands development program 	<ul style="list-style-type: none"> • Capacity building for island council administrations (NZAID) • Capacity building for central agencies: MFEM, Crown Law Office, OMIA (NZAID); Audit Office (AusAID)
E. Gender and Youth		<ul style="list-style-type: none"> • Gender and Development Project, Phase II (NZAID)
F. Infrastructure 1. Energy	<p>Programmed</p> <ul style="list-style-type: none"> • Electricity generation capacity and projected demand in Rarotonga 	<ul style="list-style-type: none"> • Electricity generation on outer islands (AusAID and NZAID)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
<p>2. Waste Management</p> <p>3. Water Supply and Sanitation</p> <p>4. Other</p> <p>J. Natural Resources</p> <p>1. Agriculture</p> <p>2. Marine Resources</p> <p>H. Environment</p>	<p>Ongoing:</p> <ul style="list-style-type: none"> • Waste management services in Rarotonga and Aitutaki <p>Programmed:</p> <ul style="list-style-type: none"> • Water and sanitation infrastructure and management arrangements in Rarotonga and Aitutaki <p>Programmed:</p> <ul style="list-style-type: none"> • Capacity building in environmental monitoring, regulation, and community participation in Rarotonga and outer islands 	<ul style="list-style-type: none"> • Water supply on outer islands (AusAID) • Extension of Rarotonga port (AusAID and NZAID) • Wharves and airstrips on outer islands (NZAID) • Green leaf vegetable cultivation in Rarotonga (PRC) • Marine training center (NZAID) • Marine resources master plan (NZAID) • Training in seeding and grading of black pearls (NZAID) • Review of the pearl industry (EU) • Developing aqua culture farming (EU, PRC)

AusAID = Australian Agency for International Development, EU = European Union, MFEM = Ministry of Finance and Economic Management, NZAID = New Zealand Agency for International Development, OMIA = Office of the Minister for Islands Administrations, PRC = People's Republic of China.

Table A2.7: Portfolio Indicators—Portfolio Amounts and Ratings
(public sector loans, as of 31 December 2002)

Sector	Net Loan Amount		Total		Rating ^a												
					Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory		Potential Problem ^b		At Risk ^c		
	(\$ million)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	
Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industry and Nonfuel Minerals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multisector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	2.3	100.0	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-
Transport and Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2.3	100.0	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-

^a One rating for implementation progress and development objectives, based on the lower rating of either.

^b Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^c A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

Source: Asian Development Bank Project Coordination and Procurement Division.

Table A2.8: Portfolio Indicators—Disbursements and Net Transfers of Resources
(public sector loans, as of 31 December 2002)

Disbursements and Transfers	OCR	ADF	Total
Disbursements ^a			
Total Funds Available for Withdrawal (\$ million)	-	4.4	4.4
Disbursed Amount (\$ million, cumulative)	-	2.3	2.3
Percentage Disbursed (disbursed amount/total available)	-	51.9	51.9
Disbursements (\$ million, latest year)	-	0.1	0.1
Disbursement Ratio (%) ^b	-	4.1	4.1
Net Transfer of Resources (\$ million)			
1998	-	1.7	1.7
1999	-	0.6	0.6
2000	-	0.1	0.1
2001	-	0.2	0.2
2002	-	(0.3)	(0.3)

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Includes ongoing loans and loans with disbursements in 2002.

^b Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source: Asian Development Bank Project Coordination and Procurement Division.

Table A2.9: Portfolio Implementation Status
(public sector loans, as of 31 December 2002)

No.	Sector	Loan No.	Seg	Title	Net Loan Amount		Approval Date (dd/mm/yy)	Effective Date (dd/mm/yy)	Closing Date		Progress (% complete)
					OCR (\$ million)	ADF (\$ million)			Original (dd/mm/yy)	Revised (dd/mm/yy)	
1	SOC	1832		Waste Management Project		2.3	17 Jul 01	25 Oct 01	28 Feb 04	-	10%
Total						2.3					

ADF = Asian Development Fund, OCR = ordinary capital resources, Seg = segment (pertaining to loans with more than one withdrawal authority), SOC = social infrastructure.

Source: Asian Development Bank Project Coordination and Procurement Division.

No.	Sector	Loan No.	Seg	Title	Cumulative Contracts/ Commitments (\$ million)	Cumulative Disbursements (\$ million)	Rating		Potential Problem ^a	At Risk ^b
							IP	DO		
1	SOC	1832		Waste Management Project	0.4	0.2	S	S	No	No

DO = development objectives, HS = highly satisfactory, IP = implementation progress, PS = partly satisfactory, S = satisfactory, U = unsatisfactory.

^a "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^b A loan is considered "at risk" if it is rated as "PS" or "U" in either implementation progress or development objectives, or if it is a potential problem loan.

Table A2.10: Assistance Pipeline for Lending Products, 2004–2006

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)			
						ADB			Cofi- nancing
						OCR	ADF	Total	
2004									
None									
2005 Firm Loan									
Energy									
Power Generation for Rarotonga	PI	ECO	PAHQ	2005	2.3	2.3		2.3	
Total					2.3	2.3		2.3	
2006 Firm Loan									
Water, Sanitation, and Flood Management									
Water and Sanitation Management	PI	ENV/HD	PAHQ	2006	3.0		3.0	3.0	
Total					3.0		3.0	3.0	

ADB = Asian Development Bank, ADF = Asian Development Fund, ECO = economic growth, ENV = environmental protection, HD = human development, OCR = ordinary capital resources, PAHQ = Pacific Operations Division, PI = poverty intervention.

Source: ADB estimates.

Table A2.11: Assistance Pipeline for Nonlending Products and Services, 2004–2006

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2004							
Energy							
1. Review of Electrical Generation Capacity and Alternative Energy Sources	PAHQ	PPTA	TASF	500		500	
Subtotal				500		500	
2005							
Water, Sanitation, and Flood Management							
1. Water and Sanitation Management	PAHQ	PPTA	TASF	500		500	
Law and Public Sector Management							
1. Support for Reform Program, Phase 3: Review of State-Owned Enterprises Arrangements	PAHQ	ADTA	TASF	250		250	
Subtotal				750		750	
2006							
Law and Public Sector Management							
1. Support for Reform Program Phase 4: Review of Progress of the Outer Islands Development Program	PAHQ	ADTA	TASF	250		250	
Subtotal				250		250	
Total				1,500		1,500	

ADB = Asian Development Bank, ADTA = advisory technical assistance, PAHQ = Pacific Operations Division, PPTA = project preparatory technical assistance, TASF = Technical Assistance Special Fund.
Source: ADB estimates.

Table A2.12: Lending Scenarios and Performance Triggers

Low Case	Base Case	High Case
<p>Macroeconomic</p> <ul style="list-style-type: none"> Worsening of budget results relative to benchmarks Percentage of general government sector debt (at NPV) to GDP is 5% more than benchmark on a rolling 3-year average 	<p>Macroeconomic</p> <ul style="list-style-type: none"> Budget results achieved within the benchmarks established under the Manila Agreement: salaries & wages to GDP 15%; goods & services to GDP 11%. Percentage of general government sector debt (at net present value) to GDP is within the 29% benchmark on a rolling three year average 	<p>Macroeconomic</p> <ul style="list-style-type: none"> Achievement of budget results better than benchmarks General government sector debt % (at NPV) to GDP is 5% lower than benchmark on a rolling three year basis
<p>Structural Reforms</p>	<p>Structural Reforms</p> <ul style="list-style-type: none"> Cabinet approval of recommendations arising from the CIIC review in 2005 	<p>Structural Reforms</p> <ul style="list-style-type: none"> Implementation of the recommendations in 2006
<p>Sector-Specific</p>	<p>Sector-Specific</p> <ul style="list-style-type: none"> Develop a roadmap for the water and sanitation sector in 2005 	<p>Sector-Specific</p> <ul style="list-style-type: none"> Some implementation of the sector development plan in FY2006
<p>Environmental Protection</p>	<p>Environmental Protection</p> <ul style="list-style-type: none"> Enactment of the Environment bill in 2003. Develop and implement a management plan for Suwarrow bird sanctuary in 2004 	<p>Environmental Protection</p> <ul style="list-style-type: none"> Improving capacity to implement environment management and implementation in outer islands by 2005

CIIC = Cook Islands Investment Corporation, GDP = gross domestic product, NPV = net present value.

CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for the following lending products.

- (i) Table A3.1: Power Generation for Rarotonga
- (ii) Table A3.2: Water and Sanitation Management

Table A3.1: Power Generation for Rarotonga

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other: Sector Structuring Intermediation</p>										
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PARD</p>										
<p>5. Responsible ADB officer: Nancy S. Convard</p>										
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy</p> <p>The Project follows a 2004 project preparatory technical assistance (PPTA) and is directly linked to one of ADB's key strategies for the country, namely infrastructure support to meet the demands of economic and social activities. The growth of the tourism industry warrants consideration of increased support for public infrastructure. The Rarotonga Electricity Authority has recorded a doubling in demand for electricity, notwithstanding a decrease in population over the same time period, with new generating capacity required in 2005. Rising fuel costs and the Government's energy policy point to the need to consider alternative energy sources.</p> <p>b. Goal and purpose:</p> <p>The overall goal of the project is to improve the electrical generation capacity of Rarotonga to meet current and future energy generation requirements for Rarotonga with the least-cost approach with careful consideration of applicability of alternative energy sources and environmental costs and benefits.</p> <p>c. Components and outputs:</p> <p>The loan will provide for the implementation of the 2004 PPTA and result in increased energy production.</p>										

(Increased capacity and energy source to be determined by the PPTA.)

d. Expected results and deliverables:

The TA is expected to produce an assessment of the energy generation status, inclusive of recommendations for planning and management.

An investment project for the energy sector that is suitable for ADB financing.

e. Social or environmental issues or concerns:

Environmentally sound energy production is important to the sustainable economic growth of the country, particularly as related to the tourism sectors. Mainstreaming of environmental issues is a key objective of the emerging Pacific Regional Environmental Strategy and will be a fundamental aspect of project planning and implementation. Participatory planning and community dialogue will ensure that social development needs are also addressed.

f. Plans for disseminating results/deliverables: Project reports

7. Proposed executing/implementing agencies: EA: Ministry of Finance; IA: Rarotonga Electricity Authority

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
 - Lending: 2005
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
- c. Period and duration of assistance
 - Lending: 5 years: 2005-2010
 - Nonlending:

10. Financing Plan

- a. For lending
 - Ordinary capital resources: \$ 2.3 million
 - Asian Development Fund: \$ _____
 - Other: (specify) \$ _____

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget: \$ _____
 - Grant TA funds

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, EA = Executing Agency, IA = implementing agency, PARD = Pacific Department, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A3.2: Water and Sanitation Management

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other: (specify, e.g., loan-financed project preparatory, project implementation, or advisory activities)</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other: Sector Structuring Intermediation</p>
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Human Development Subsector: _____</p> <p>b. For project preparatory and lending</p> <p><input type="checkbox"/> Core poverty intervention <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <p><input type="checkbox"/> Economic growth <input checked="" type="checkbox"/> Human development</p> <p><input type="checkbox"/> Gender and development <input type="checkbox"/> Good governance</p> <p><input checked="" type="checkbox"/> Environmental protection <input type="checkbox"/> Private sector development</p> <p><input type="checkbox"/> Regional cooperation <input type="checkbox"/> Social protection</p> <p><input type="checkbox"/> Other:</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PARD</p>
<p>5. Responsible ADB officer(s): Nancy Convard</p>
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy</p> <p>The Project is directly linked to three of ADB's key strategies for the country: (i) infrastructure support to meet demands of economic and social activities, (ii) continued support for the tourism and marine resources sectors, and (iii) improved environmental management. As tourism growth is likely to remain key to the Cook Islands economic growth, it is imperative that the key tourism centers of Rarotonga and Aitutaki ensure the adequacy of water and sanitation infrastructure. Eutrophication and lagoon waters and other water quality concerns have been identified in nearshore marine waters. Water supply services have improved somewhat in Rarotonga but as yet are still insufficient for continued growth. A review of the current and future water and sanitation infrastructure demand is needed, particularly to assess the impact of a growing tourism industry. Policy dialogue is needed to promote sound financial management of the utilities, particularly with regard to implementation of user charge principles.</p> <p>b. Goal and purpose:</p> <p>The overall goal of the Project is to support improved water supply and sanitation/wastewater services through implementation of the recommendations of the PPTA. The Project will improve planning and management of (i) access and safety of water supply and (ii) sanitation/wastewater management. Improved environmental quality is expected to support increased tourism.</p>

c. Components and outputs:

The investment project will improve water supply, water quality, improved sanitation/wastewater management and resultant improvements to environmental quality will be developed. Specific components and outputs will be developed during the PPTA through consultation with the Government, community, and other stakeholders.

d. Expected results and deliverables:

Expanded water supply infrastructure and provision of wastewater collection and treatment systems as well as improved infrastructure to support the operation and maintenance of individual wastewater/sanitation systems.

e. Social or environmental issues or concerns:

Environmental quality improvements are an intended outcome of the Project. Participatory planning and community dialogue will ensure that social development needs are also addressed.

f. Plans for disseminating results/deliverables: Project reports**7. Proposed executing/implementing agencies:** To be determined**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:****9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
 - Lending: 2006
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
- c. Period and duration of assistance
 - Lending: 5 years
 - Nonlending:

10. Financing Plan

- a. For lending
 - Ordinary capital resources: \$ _____
 - Asian Development Fund: \$ 3 million
 - Other: (specify) \$ _____

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget: \$ _____
 - Grant TA funds:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, EA = Executing Agency, IA = implementing agency, PARD = Pacific Department, SCSP = subregional cooperation strategy and program, TA = technical assistance.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for projected nonlending products and services.

- (i) Table A4.1: Review of Electrical Generation Capacity and Alternative Energy Sources
- (ii) Table A4.2: Water and Sanitation Management
- (iii) Table A4.3: Support for Reform Program, Phase 3: Review of State-Owned Enterprise Arrangements

Table A4.1: Review of Electrical Generation Capacity and Alternative Energy Sources

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other: (specify, e.g., loan-financed project preparatory, project implementation, or advisory activities)</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other: Sector Structuring Intermediation</p>										
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s) (check more than one category, if applicable)</p> <table> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PARD</p>										
<p>5. Responsible ADB officer: Nancy S. Convard</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy</p> <p>The TA is directly linked to one of ADB's key strategies for the country—infrastructure support to meet the demands of economic and social activities. The growth of the tourism industry warrants consideration of increased support for public infrastructure. The Rarotonga Electricity Authority has recorded a doubling in demand for electricity, notwithstanding a decrease in population over the same time period, with new generating capacity required in 2005. Rising fuel costs and the Government's energy policy point to the need to consider alternative energy sources.</p> <p>b. Goal and purpose:</p> <p>The overall goal of the TA is to review the current and future energy generation requirements for Rarotonga and identify, compare, and select appropriate energy sources, both conventional and alternative, to meet the future demands.</p> <p>c. Components and outputs:</p> <p>The TA is expected to produce an investment project for the energy sector that is suitable for ADB financing.</p>										

Energy alternatives will be evaluated with consideration of whole life cycle costs and benefits. Energy and environmental costs and benefits will be considered.

d. Expected results and deliverables:

The TA is expected to produce an assessment of the energy generation status, inclusive of recommendations for planning and management.

An investment project for the energy sector that is suitable for ADB financing.

e. Social or environmental issues or concerns:

Environmentally sound energy production is important to the sustainable economic growth of the country, particularly as related to the tourism sectors. Mainstreaming of environmental issues is a key objective of the emerging Pacific Regional Environmental Strategy and will be a fundamental aspect of project planning and implementation. Participatory planning and community dialogue will ensure that social development needs are also addressed.

f. Plans for disseminating results/deliverables: Project reports (inception/interim/final)

7. Proposed executing/implementing agencies: EA: Ministry of Finance; IA: Rarotonga Electricity Authority

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003

b. Expected date of submission for approval

Lending:

Nonlending (project preparatory): 2004

Nonlending (other than project preparatory):

c. Period and duration of assistance

Lending:

Nonlending: 10 months 2004-2005

10. Financing Plan

a. For lending

Ordinary capital resources: \$ _____

Asian Development Fund: \$ _____

Other: (specify) \$ _____

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

No resources required, other than ADB staff

ADB's administrative budget: \$ _____

Grant TA funds

TA Special Fund: \$500,000

Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, EA = Executing Agency, IA = implementing agency, PARD = Pacific Department, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A4.2: Water and Sanitation Management

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other: (specify, e.g., loan-financed project preparatory, project implementation, or advisory activities)</p> <p><input type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other: Sector Structuring Intermediation</p>										
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Human development Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PARD</p>										
<p>5. Responsible ADB officer(s): Nancy Convard</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy</p> <p>The TA is directly linked to three of ADB's key strategies for the country: (i) infrastructure support to meet demands of economic and social activities, (ii) continued support for the tourism and marine resources sectors, and (iii) improved environmental management. As tourism growth is likely to remain key to Cook Islands economic growth, it is imperative that the key tourism centers of Rarotonga and Aitutaki ensure the adequacy of water and sanitation infrastructure. Eutrophication and lagoon waters and other water quality concerns have been identified in nearshore marine waters. Water supply services have improved somewhat in Rarotonga but as yet are still insufficient for continued growth. A review of the current and future water and sanitation infrastructure demand is needed, particularly to assess the impact of a growing tourism industry. Policy dialogue is needed to promote sound financial management of the utilities, particularly with regard to implementation of user charge principles.</p> <p>b. Goal and purpose:</p> <p>The overall goal of the TA is to support improved water supply and sanitation/wastewater services. The Project will improve planning and management of (i) access and safety of water supply and (ii) sanitation/</p>										

wastewater management.

c. Components and outputs:

Improved understanding of the water and sanitation needs and the improved management of these services are the desired outcomes. A design for an investment project, suitable for ADB financing, that will improve water supply, water quality, improved sanitation/wastewater management and resultant improvements to environmental quality will be developed.

Specific components and outputs will be determined through further dialogue with the Government and other stakeholders.

d. Expected results and deliverables:

The TA is expected to produce a detailed assessment of water supply and sanitation situation in Rarotonga and Aitutaki, inclusive of appropriate planning and management recommendations. An investment project feasibility assessment and design sufficient and suitable for ADB financing will be completed.

e. Social or environmental issues or concerns:

Environmental quality improvements are an intended outcome of the Project. Participatory planning and community dialogue will ensure that social development needs are also addressed.

f. Plans for disseminating results/deliverables:

Project reports (inception/interim/final)

7. Proposed executing/implementing agencies: To be determined

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003

b. Expected date of submission for approval
 Lending:
 Nonlending (project preparatory): 2005
 Nonlending (other than project preparatory):

c. Period and duration of assistance
 Lending:
 Nonlending: 12 months 2005

10. Financing Plan

a. For lending

- Ordinary capital resources: \$ _____
 Asian Development Fund: \$ _____
 Other: (specify) \$ _____

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
 ADB's administrative budget: \$ _____
 Grant TA funds
 TA Special Fund: \$500,000
 Other (specify, e.g., bilateral and multilateral trust funds): \$ _____

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, PARD = Pacific Department, SCSP = subregional cooperation strategy and program, TA = technical assistance.

extra layer of "management" that may be unnecessary and confusing in terms of accountability of the board of directors of each trading enterprise to its own portfolio minister and to the CIIC board. Transparency of financial performance of each trading enterprise to the community vis-à-vis the role and accountability of the CIIC board is also unclear. The issue was discussed with the Government during the country programming mission in April 2003 in light of the Commerce bill which will establish the Commerce Commission whose mandate will be to promote competition and protect consumers, given the nature of the Cook Islands economy. The Government agreed that a review of the current arrangement with respect to the trading enterprises in 2005 would be timely to clarify the role and accountability of various parties and to meet the requirements of the new legislation produced by the enactment of the Commerce bill.

b. Goal and purpose: Facilitate private sector growth through more efficient public enterprises and the restructuring of the sector to meet the requirements of the new competition legislation being considered by the Government.

c. Components and outputs: The TA will cover three components: (i) clarify the role and accountability of various parties involved in the management and control of government trading enterprises and capital expenditure by these enterprises; (ii) determine whether the current arrangement complies with the provisions of the new competition legislation applicable to monopoly power, price determination, and cross subsidization; and (iii) make recommendations in relation to the findings with respect to (i) and (ii).

d. Expected results and deliverables: The report will include recommendations to improve efficiency and effectiveness of public enterprises while complying with the new competition policy requirements. The TA will also contain an action plan indicating activities and resources that will be necessary to implement the recommendations.

e. Social or environmental issues or concerns: No major social or environmental issues are expected.

f. Plans for disseminating results/deliverables: The TA report will be available for discussion by the community via the media.

7. Proposed executing/implementing agencies: The Ministry of Economic and Financial Management will be the executing agency.

8. Nature/extent of Government/beneficiary involvement in identifying or conceptualizing the assistance: The TA was discussed with, and supported by, the government and public officials during the 2003 country programming mission. Some trading enterprises also raised the issue of clarity of roles, authority, and accountability of boards and ministers.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2003
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory)
 - Nonlending (other than project preparatory):
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2005–2006

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources: \$ _____
 - Asian Development Fund: \$ _____
 - Other: \$ _____

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget:
- Grant TA funds: \$250,000
- Other:

ADB = Asian Development Bank, CIIC = Cook Islands Investment Corporation, CSP = country strategy and program, PARD = Pacific Department, SCSP = subregional cooperation strategy and program, TA = technical assistance.

COOK ISLANDS: COUNTRY PROGRAMMING ENVIRONMENT BRIEF

A. State of the Environment Overview

1. Background

1. The Cook Islands comprises 15 islands with a total land area of 237 square kilometers (km) at a maximum height of 652 meters (m) above sea level. The islands are scattered over an exclusive economic zone of 1.8 million sq km, one of the largest such zones in the South Pacific.

2. The islands are formed geographically into a Northern Group of low coral atolls and a Southern Group of volcanic, hilly islands. Rarotonga, situated in the Southern Group, is the largest island. The Northern Group extends from 9° to 18°S and the Southern Group lies from 19° to 22°S, close to the latitude of Townsville in Australia.

3. Rarotonga is the country's only true high volcanic island. It is a partly collapsed volcanic caldera rising to 652 m, surrounded by narrow coastal lowlands with fertile soils. The low volcanic islands have raised coral platforms that surround interior volcanic plateaus. The atolls are of low relief, with few areas exceeding 5 m above sea level. They all have lagoons encircled by islands and reefs. Only Penrhyn has a channel of sufficient depth to allow access by vessels, while several others have natural or excavated channels sufficient for runabouts at varying levels of tide.

4. The average rainfall in the Cook Islands is 2,040 millimeters per annum, and the mean annual temperature is 24°C with little seasonal variation. From December to March there are possibilities of major storms occurring, as the Cook Islands lies in the cyclone belt.

5. The Cook Islands economy receives ample external support from New Zealand in its free association status, with local governance. However, tourism is the top foreign exchange earner, followed by offshore banking, agriculture, and the black pearl industry.

2. Environmental Management Issues and Challenges

6. **Development and Tourism.** Land pressures in Rarotonga have eased somewhat in recent years with continued out-migration (mostly to New Zealand). Nonetheless, ribbon development along the coastal strip continues, and this is gradually making the island less aesthetically attractive and, therefore, adversely affecting the tourism industry and local quality of life. Current building codes in Rarotonga and most islands prevent the construction of traditional buildings, also resulting in a significant loss of cultural and aesthetic value. The right mix of traditional culture and modern technology will be important if the conditions for a sustainable tourism industry are to be created.

7. **Environmental Policy/Legislation.** The Rarotonga Environment Act has provided for more effective environmental management and control in Rarotonga, but the legislation has yet to extend to the outer islands. A consultation process is under way to finalize a proposed National Environment Act, under which the Rarotonga Act would be repealed. There have been objections from nongovernment organizations and others, but the basic structure seems sound. The new legislation give Island Councils the authority to develop appropriate local regulations for environmental management.

8. **Water and Sanitation.** Water demand in populated areas is rising very rapidly relative to supply. The design, construction, and maintenance of adequate water storage are thus of great current interest in the country. Sewage disposal also is a recognized problem in the Cook Islands. Most households have septic tanks, but such systems are not suitable for larger hotels, especially in Rarotonga. With the tourism industry still expanding, the need for construction of improved sewerage systems and sewage treatment plants has become urgent. On the atolls, there is concern that the advocated use of pour-flush and pit toilets is causing pollution of the shallow water table, leading to a high incidence of gastrointestinal disease in the population.

9. **Solid Waste Management.** Solid waste disposal presents a significant problem, both in Rarotonga and in the outer islands. With a relatively high population and standard of living, Rarotonga is probably responsible for the generation of at least two thirds of the country's solid waste. ADB has implemented a project meant to address this problem in Rarotonga and Aitutaki, but waste management continues to be a significant problem in all the other islands.

10. **Coastal Management.** Coastal-zone degradation and erosion is a major concern in the Cook Islands. Beach sand and gravel mining, construction of sea walls, groynes, and revetments, development of infrastructure on the foreshore, pollution of lagoon systems, and poor land management practices on land adjacent to the coastal zone all take their toll on fragile ecosystems. Of these factors, the removal of coral and beach aggregate has caused the most serious erosion problem. Owing to the increase in development of modern infrastructure, such as resorts for the tourism industry, large quantities of aggregate are taken from beaches. Even though mining of sand from beaches is banned, inadequate implementation of the laws results in the regulation being largely ignored. Sand and coral mining continues on all islands except Rarotonga, where it has been almost eliminated. Coral bleaching is often associated with higher temperatures (such as during El Niño). Bleaching was reported in the relatively shallow lagoon of Aitutaki in 2000, extending to around 30% of the reef and lagoon coral population. This was attributed to the long and relatively hot summer, with high water temperatures maintained into May. Bleaching and some coral death were also reported from the Rarotonga reef.

11. **Adaptation to Climate Change and Variability.** Sea-level rise predictions as a result of global climate change have serious implications for sustainable development in the Cook Islands. Any increase in sea level will have significant effects on the low-lying northern atolls, which will experience accelerated coastal erosion, loss of land, and saltwater intrusion—causing even greater scarcity of freshwater resources. In addition, damage to infrastructure by coastal inundation, wave run-up, and tidal surges could be immense.

12. **Energy.** The Cook Islands generates its energy predominantly from imported fossil fuels. However, in the outer islands the use of solar photovoltaic cells provides lighting in a significant number of villages. The use of this technology is now gaining widespread acceptance. Natural resources such as firewood and coconut husk still remain a major source of energy for cooking in the outer islands and to a lesser extent in Rarotonga, where the use of liquefied petroleum gas (LPG) has become common. Recent resource assessments for wind and ocean energy have confirmed that opportunities exist to develop these in the future. Together with solar energy, these renewable sources of energy will assist in reducing the current reliance on fossil fuels for electricity generation. Efficiency in production, transmission, and consumption is essential for the sustainable use of energy-producing resources.

13. **Greenhouse Gas Emissions.** The 18,000 people and few hundred cars of the Cook Islands make an insignificant contribution to greenhouse gas emission and global warming. However, given the potentially dire implications of sea-level rise for the country, the country

could well improve its international negotiating position if it is seen to be doing something positive about greenhouse gas emission levels.

14. **Pearl Farming.** The further expansion of the black pearl industry on the currently uninhabited Suvarrow atoll has been under consideration by the Government. In 1999, an environmental study was carried out for the Suvarrow Development Corporation, which suggested that adverse environmental and social impacts would be acceptable given the high tax revenues that might accrue to the country. (It should be noted that ADB has been instrumental in bringing the pearl industry to the country.) However, particularly in relation to the impact on seabird populations, on coconut crabs, and on marine life, many people who reviewed the study considered that significant impacts are likely, not to mention the atoll's status as a national park. Obviously, further detailed environmental analysis is required.

15. **Biodiversity Conservation.** Protection of native flora and fauna—and the natural systems in which they thrive—is important for the economy (contributing to the attraction of the islands to tourists and providing valuable ecological services). Several introduced species are now considered invasive weeds. Of particular significance are the balloon vine, balsam pear, and red passion fruit, which are usually seen together, particularly on Rarotonga. The "mile-a-minute," African tulip, Java plum, and lantana are other weeds of significant concern to agriculture or conservation. These are threatening local flora and fauna, with 30 local plant species reported to be endangered.

16. The Cook Islands has significant populations of seabirds, the main species being noddies, terns, boobies, and frigate birds. Most seabirds nest on atolls and sand-cays and are sensitive to human interference. Problems include egg collection, feral predators such as cats, the hunting of young birds, and general disturbance by human activity. The largest remaining seabird colonies are consequently found on the uninhabited islands of Takutea and Suvarrow. While seabird populations are not at severe risk, steps to conserve the remaining breeding sites, for example through control of feral animals and education campaigns, are desirable.

17. Land bird populations are also threatened by human activities. The Indian mynah was introduced to the inhabited islands in the early 1900s to control stick insects that were damaging coconut plantations. It is now dominant in many areas, and may have contributed to reducing the populations of native birds, and it contributes to limiting insect populations in areas where it is numerous.

B. ADB's Past Environment-Related Assistance

1. Past Technical Assistance Grants and Loans

18. From 1992 to the present, ADB has implemented six TAs and three loans for the Cook Islands that can be considered environment-related (in chronological order):

- (i) PPTA 2070-COO: Integrated Urban Development Project, for \$455,000, approved on 15 March 1994;
- (ii) AOTA 2144-COO: Lagoon Ecology Monitoring and Management, for \$552,000, approved on 30 August 1994;
- (iii) PPTA 2264-COO: Outer Islands Power Development Study, for \$250,000, approved on 27 December 1994;
- (iv) AOTA 2322-COO: Outer Islands Marine Resources Management Training, for \$300,000, approved on 17 April 1995;

- (v) PPTA 3085-COO: Urban Infrastructure Project, for \$750,000, approved on 6 October 1998;
- (vi) PPTA 3795-COO: Outer Islands Development Program, for \$250,000, approved on 12 December 2001;
- (vii) Loan 1309-COO: Pearl Industry Development, for \$817,000, approved on 8 September 1994;
- (viii) Loan 1588-COO: Cyclone Emergency Rehabilitation Project, for \$800,000, approved on 8 December 1997; and
- (ix) Loan 1832-COO: Waste Management, for \$2.2 million, approved on 17 July 2001.

2. Three Key Sectors

19. **Social Infrastructure.** In the early/mid-1990s, ADB was active in the area of integrated urban infrastructure in Rarotonga (PPTA 2070-COO). Because of the economic and financial crisis faced by the Government in 1996, ADB deferred implementation of infrastructure investments, and assistance was focused instead on economic and fiscal reforms. In 1998, another preparatory TA on urban infrastructure was approved and implemented (PPTA 3085-COO). This project aimed at assisting the Government in preparing to commercialize and encourage the private sector to invest in urban services like water supply, solid waste management, and sewerage system construction. A significant output of this TA was a set of feasibility studies for waste management and water supply and sewerage projects.

20. These two TAs identified deficiencies in urban water supply and waste management as threats to the health of Cook Islanders as well as to the growing tourism industry. Subsequently, a loan of \$2.2 million on waste management was approved in 2001 (Loan 1832-COO) and is now being implemented. So far, this project has successfully put up a recycling center in Rarotonga and has drafted a waste management strategy for Aitutaki. A standby loan (32565-01) on Water Supply and Sewerage is scheduled for 2005 implementation.

21. In September 2001, an ADB fact-finding mission went to the Cook Islands to solicit views on the formulation of a preparatory TA on the formulation of an outer islands development program (OIDP) and the feasibility of putting up an outer islands development trust fund (OIDTF). This preparatory project (PPTA 3795-COO) is ongoing, and a standby loan (29645-01) is envisaged for implementation in 2003.

22. **Natural Resources Management.** Two TAs were focused on coastal and marine resources management. In particular, ADB has been closely associated with helping establish the country's black pearl industry, but this necessitated careful attention to environmental controls. The TA on lagoon ecology monitoring and management (TA 2144-COO) satisfactorily achieved its outputs of: (i) undertaking of population dynamics and modeling study of black-lipped oysters in the lagoon area; (ii) measurement and recording of water column parameters, regular plankton sampling, examination, and identification of species; (iii) identification and promotion of environmentally sound pearl farming practices; (iv) establishing cooperation and liaison with other research agencies; (v) conducting of on-the-job training of counterpart staff; and (vi) coordination of lagoon ecological management activities, both by the Government and the private sector. This TA has heightened the awareness of pearl farmers of the need to manage the lagoons to ensure their long-term productivity. It also enhanced the farmers' knowledge of lagoon ecology and implications for protection of these fragile natural systems.

23. The TA on lagoon ecology monitoring and management was associated with a loan intended to develop a sustainable pearl industry in the country (Loan 1309-COO). Approved in 1994, the loan was implemented over a 4-year period and helped the Government establish the Cook Island Pearl Authority (CIPA). This body's function is to improve the efficiency and ecological stability of the pearl culture industry as well as to support private sector development by strengthening farmer associations, improving support services, and facilitating marketing. Unfortunately, not all of these targets were realized due to management problems. CIPA did not sufficiently gain the confidence of key private sector stakeholders in the pearl industry. It was replaced by the Pearl Federation of Cook Islands (PFCI) as the main oversight agency in 1997, but problems remained. However, the project was able to bring international recognition to the black pearl industry because of the promotional activities, and this has significantly benefited the country's black pearl industry.

24. A related ADTA (ADTA 2322-COO) implemented in 1996 was successful in establishing an in-house capability in operating and maintaining the pearl farm research and hatchery facilities, as well as in undertaking lagoon monitoring and management activities. The project also built capacity among concerned government staff in designing pearl farm research trials, carrying out extension activities, and in imparting environmental awareness to island communities.

25. **Energy.** A study on outer islands power development (PPTA 2264-COO) was undertaken in 1995 and investigated an electrification, power system rehabilitation, and expansion program. Two major recommendations were developed: (i) to prepare a project to provide an additional generating plant for Rarotonga, and (ii) to develop the necessary technical electricity improvements in all islands. Unfortunately, none of these recommendations progressed into a loan.

26. **Others.** After the onslaught of cyclone Martin in November 1997, ADB provided an emergency rehabilitation project (Loan 1588-COO), which was processed for the Cook Islands in 1997. The project helped restore economic activity in the country and bring back key social and physical infrastructure services in the Northern Islands. The project also enabled the pearl industry to resume normal operations without much economic dislocation.

C. Preliminary Inputs for Environmental Mainstreaming in the Cook Islands

1. Strategy Pillars and Environmental Linkages

27. The ADB strategy for the Cook Islands has four main elements: (i) maintaining macroeconomic stability to sustain private sector growth and put additional resources into the growth sectors: marine resources, tourism, agriculture, and offshore financial services; (ii) empowering people of the outer islands by advancing the principles of good governance, including decentralized administrative infrastructure and improved management systems; (iii) advancing social justice through equal access to basic services such as health, education, law and order, welfare and reduction of inter island disparities; and (iv) protecting the country's security and promoting national interests abroad by working with the international community. Each of the suggestions given below for environmental mainstreaming responds to one or more of the four strategy elements, fills a gap in current programming, and/or supplements existing assistance plans. These opportunities are primarily oriented to advisory TAs for the Cook Islands.

2. Institutional and Policy Support

28. **Environmental Governance.** As noted, there is a need to complete the public consultation process that will lead to refinement and passage of the National Environment Act. An ADTA (ADTA 33375-01-COO: Capacity Building in Environmental Monitoring, Regulation and Community Participation, \$350,000) previously was aimed at supporting early implementation measures and capacity requirements of the new Act. Given problems encountered with public and political acceptance of the draft Act, the TA should now be reoriented to supporting the public consultation and participation process in reviewing the Act and seeing it passed by the legislature (note that the TA name will be changed). If advisory support for the strengthening of island councils moves forward (AOTA 35159-01-COO: Capacity Building in Island Councils, \$300,000, scheduled for 2004), it also would be prudent to carefully examine their roles in environmental management—particularly in the context of the pending National Environment Act.

29. **Community-based Ecotourism.** Given the tourism sector's independence on natural resources, it is important that the natural features that attract tourists be preserved. There is increasing public backlash against further development of resort-based upscale tourism on the island of Aitutaki, and more community-based and ecologically sensitive approaches may be needed if the industry is to expand any further in the country. ADB is gaining experience with such activities elsewhere in the region, and there may be some vehicle to provide advisory services in helping the country deal with this issue—perhaps in the context of consultations leading to passage of the new National Environment Act or the planned program lending for the Outer Islands Development Project (Loan 29645-01-COO).

3. Regional Activities of Relevance

1. **30. Regional Technical Assistance (RETA) Support.** Two relevant and ongoing RETAs should be considered as the country strategy and program update exercise moves forward. The Pacific Region Environmental Strategy (PRES) RETA is developing a framework for future environment-related assistance to the region. The CLIMAP RETA on climate change and variability also has relevant inputs to planning disaster preparedness and adaptation measures in the Cook Islands. In addition, a proposed (2003) RETA on renewable energy (REEP) should generate policy and investment guidance for environment-friendly energy sector expansion in Pacific developing member countries.