

**Cook Islands - European Community  
EDF 10**

**Country Strategy Paper  
and  
National Indicative Programme**

**for the period 2008 - 2013**

The Government of the Cook Islands and the European Commission hereby agree as follows:

- (1) The Government of the Cook Islands, represented by The Honourable Wilkie Rasmussen, Minister of Foreign Affairs and National Authorising Officer for Cook Islands and the European Commission, represented by Mr Roberto Ridolfi, Head of the Commission Delegation for the Pacific, hereinafter referred to as the Parties, held discussions from March 2006 until August 2007 with a view to determining the general orientations for cooperation for the period 2008 –2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Cook Islands were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in the Cook Islands.

The Country Strategy Paper and the Indicative Programme are annexed to this document.

- (2) As regards the indicative programmable financial resources which the Community plans to make available to the Cook Islands for the period 2008-2013, an amount of € 3.0 million is scheduled for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 0.3 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Cook Islands benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of this Country Strategy Paper and Indicative Programme upon the entry into force of the 10<sup>th</sup> EDF Multi-annual Financial Framework for the period 2008-2013 of the revised ACP-EC Partnership



but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Cook Islands within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10<sup>th</sup> EDF and on the financial regulation applicable to the 10<sup>th</sup> EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of this Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex 1b to the ACP-EC Partnership Agreement regarding the 10<sup>th</sup> EDF Multi-annual Financial Framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time

The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of needs and performance at the time.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

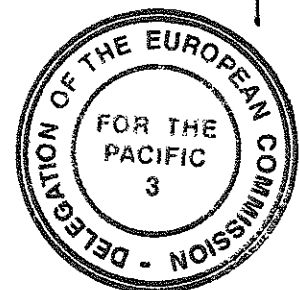
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10<sup>th</sup> EDF Multi-annual Financial Framework of for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures *at Nukualofa Tonga on 18 October 2007,*

For the Government of the Cook Islands

**Cook Islands  
National Authorising Officer  
European Development Fund**

For the Commission



## SUMMARY

The objective of the 10th European Development Fund (EDF) Country Strategy Paper (CSP) for the Cook Islands is to define, on the basis of a comprehensive analysis of the economic, social and political situation contained in this CSP, a development response strategy for the European Community (EC) support.

The Cook Islands comprises 15 small islands scattered over some 2.0 million square kilometres of the South Pacific Ocean. The country has some of the best MDG indicators in the region and is well on its way to achieving the MDG's by 2015. The Cook Islands economy is based on tourism, offshore financial services, pearl farming, fishing, and agriculture. Remittances also play an important role.

The Cook Islands became signatory to the Cotonou Agreement on 23 June 2000. The 9<sup>th</sup> EDF had Outer Island Development as the single focal sector.

As regards the indicative programmable financial resources which the Community envisages to make available to the Cook Islands for the period covered by this CSP, an amount of € 3.0 million is foreseen for the allocation under the A-envelope and €0.3 million for the B-envelope.

Based on the key strategic directions contained in the EU Pacific Strategy, the Pacific Plan and in line with Strategic Goal No. 4 of the National Sustainable Development Plan (NSDP) - sustainable use and management of natural resources and environment; and Goal No. 5 – strengthened and affordable basic infrastructure, transport and utilities to support national development - and following consultations with the Government of the Cook Islands, other donors as well as Non-State Actors, it has been agreed that the focal sector under the 10<sup>th</sup> EDF shall be the water and energy sector, in particular water and sanitation.

It has been agreed to allocate 85 percent of the A-envelope or € 2,550,000 to the focal area of water and energy. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent or € 450,000 will be used to establish a Technical Co-operation Facility (TCF) from which necessary local Technical Assistance, studies and EDF-related training, regional integration and EPA, assistance in statistical reporting etc. will be funded. The TCF could also fund provision of technical assistance *inter alia* to facilitate progress in the area of good governance in tax matters.

## **PART 1: STRATEGY PAPER**

### **CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY**

#### **I.1.1. General Objectives of the EC's external policy**

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

### **I. 1.2. Strategic objectives of cooperation with the partner country**

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and the Cook Islands shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention for the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, keeping into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In May 2006 the European Commission issued a Communication to the Council, the European Parliament and the European Economic and Social Committee on "**EU Relations with the Pacific Islands – A Strategy for a Strengthened Partnership.**" **The Strategy** was adopted by the Council in July 2006. It lays emphasis on EC support on sustainable management of natural resources and the protection of the ocean environment.

The strategy makes three main proposals:

1. Building stronger political relations on interests of common concern such as global political security, trade, economic and social development and the environment;
2. Focusing development cooperation on areas where the Pacific has important needs and where the EU has a comparative advantage and a good track record, such as the sustainable management of natural resources, regional cooperation and good governance (for example, addressing the root causes of instability in the region, reducing corruption);
3. Increasing the efficiency of aid delivery including using more direct budgetary aid and working more closely with other partners, in particular Australia and New Zealand.

### **I.1.3 Main bilateral agreements**

The Cook Islands became signatory to the Cotonou Agreement on 23 June 2000. Under the first financial protocol of the Cotonou Agreement the Country Strategy Paper and National Indicative Programme (NIP) for the Cook Islands were signed in Rarotonga in April 2003 and had Outer Island Development as the single focal sector. There are no other bilateral agreements binding the Cook Islands to the EU.

## **CHAPTER II: COUNTRY DIAGNOSIS**

### **II.1. Analysis of the political, economic, social and environmental situation in the recipient country**

#### **II.1.1 Political and institutional situation**

Since August 1965, the Cook Islands have been a self governing parliamentary democracy in free association with New Zealand. The political situation in the Cook Islands is characterized by a certain degree of volatility and instability, which has confused many observers. A number of factors has given rise to by-elections and switching allegiances and have resulted in shifting coalitions of governments.

However, a broad similarity in the policy platforms of the main parties, the Democratic Party and the Cook Islands Party, has meant that the changes in government have not had a major impact on the direction of public policy. But the frequent need to form and then preserve coalitions, including the threatened and actual party switching by individual Members of Parliament has maintained uncertainty and has also interrupted the flow of

the political decision making processes.

The most recent 'change' in government occurred when the Queens Representative dissolved Parliament, citing an in-ability to form a stable coalition, on 24 July 2006 and a 'snap' election was held on 26<sup>th</sup> September 2006

Since the September 2006 election and following subsequent electoral petitions and judicial reviews, the Democratic Party is governing the country with a 15-9 seat majority. With Jim Marurai re-elected as Prime Minister, the government remains committed to maintaining the momentum of the reforms and changes considered necessary to improve the governance of the country.

The people of the Cook Islands are New Zealand citizens, with a commitment to respecting and upholding the fundamental values on which that citizenship is based. The Cook Islands and New Zealand share a mutually acceptable standard of values in their laws and policies, founded on respect for human rights, for the purpose and principles of the United Nations Charter, and for the rule of law.

### **II.1.2 Economic and commercial situation**

The Cook Islands is a country of 15 widely dispersed small islands in the South Pacific Ocean. The land area of the Cook Islands is only 240 square kilometers, spread over almost 2 million square kilometers of sea. Like many other Pacific island nations, Cook Islands' economic development is hindered by the isolation of the country from foreign markets, the dispersion of small population centres amongst numerous islands, lack of natural resources, periodic devastation from natural disasters, and inadequate infrastructure. The emigration of skilled workers to New Zealand is a continuing problem. The relatively high income reflects the impact of expatriate residents and the tourist-based economy of Rarotonga; but it masks the subsistence lifestyle of the outer island population. Although the main islands are relatively well off, the development of the outer islands is lagging behind.

In the early 1990, the country faced a severe financial crisis, with rapidly growing foreign debt, compounded by a devastating hurricane in the Northern Group and a disease outbreak that badly affected pearl production. In 1996, the government carried out a radical of reform of the economy. This included decreasing government spending and slashing the size of the public sector by about two-thirds. Since then, measures were taken to contain government spending and to improve financial management.

Consequently, the Government has run operating surpluses each year since 1999-2000. According to the targets in the NSDP, government aims to maintain operating surpluses averaging at least 1% of GDP over the medium term and for the ratio of personnel expenses in the general government sector to GDP to be no more than 12.5% by 2010. Total crown debt has been substantially reduced from NZ\$97.5 million to around NZ\$55.6 million as at 30 June 2006. This provides scope for future commercial borrowing for large infrastructure projects, as contained in the National Infrastructure



Master Plan for the next 20 years. The medium term outcome target for Government debt levels is to maintain a Government Debt to GDP ratio of no more than 40% over the medium term in accordance with the NSDP.

Furthermore the government aims to maintain a tax to GDP ratio of no more than 25% over the medium term. Government remains committed to economic development led by the private sector. It is planned to continue to contribute to the reserve trust fund to provide a buffer against economic fluctuations and natural disasters, and maintain adequate loan reserves.

The Cook Islands economy is based on tourism, offshore financial services, pearl farming, fishing, and agriculture. Remittances and investment from Cook Islanders in New Zealand and Australia, and returning Cook Islanders also contribute significantly to the economy. In addition to Rarotonga, Aitutaki is becoming an important tourism destination and the industry now accounts for around 50% of GDP. Other than Rarotonga, the economies of the southern islands centre on agriculture, albeit with limited opportunities for export, due to factors such as poor inter-island shipping.

It is likely that economic growth will moderate from the levels experienced in the last couple of years. It is now estimated that real GDP grew by around 4.2% in 2004-05. The main contributors to growth in 2004 were agriculture and fishing, wholesale and retail trade, and construction.

Growth is projected at around 3.0% in 2005-06 before returning to a long-term growth rate of around 3.5% in the coming years.

GDP per capita was around NZ\$12,900<sup>1</sup> Real GDP per capita has grown strongly during the recent period of economic growth. Between 1998 and 2004, it increased by an average of 3.5% per year, with real GDP growth of 6.2% and population growth of only 2.6% per year. In 2004, however, real GDP per capita is estimated to have declined by 4.3%, with population increasing faster than economic growth. The Economic Indicators are provided in Table 1.

The Cook Islands has been identified as a tax haven in the OECD report issued in 2000 ("Towards global tax co-operation – progress in identifying and eliminating harmful tax practices"). Having publicly committed to adopting and implementing the OECD principles of transparency and effective exchange of information for tax purposes, they were not included on the list of uncooperative tax havens of 2002. These cooperative jurisdictions have joined the other "participating partners", which take part in the work of the OECD Global Forum on Taxation. As such they participate in the joint standard setting process, and their tax system is assessed on a regular basis. Ongoing efforts in the Cook Islands to fully implement OECD standards are substantial, and should be encouraged. The need for transparent corporate information mechanisms as well as international cooperation in the field of effective exchange of information plays a vital

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<sup>1</sup> Standard and Poor's 2006 Report

role in countering tax evasion, tax avoidance, corruption and the financing of terrorism. It assumes increasing importance in small and open economies that have developed an offshore financial sector.

The Cook Islands is part of the core group of Pacific ACP Trade Ministers who take the lead in the Economic Partnership Agreement (EPA) negotiations. Some options are available for the Cook Islands with respect to a trading arrangement with the EU. There are issues of common interest to all Pacific Island countries in which a Regional EPA can be arranged as well as issues which could be negotiated at the ACP wide level. Fishing, agriculture, tourism, investment, trade facilitation and promotion, as well as trade in goods and services are areas that have been identified by the Pacific as important to them in negotiations with the EU. The setting up of the preferential trading area is a way to overcome smallness of domestic markets, which is a barrier to attracting investment – however this is seen as only a stepping stone towards complete integration into the international market.

<b>Table 1: Economic Indicators</b>					
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>		<b>2006-07</b>	<b>2007-08</b>
<i>Actual</i>	<i>Actual/Estimates</i>	<i>Projections</i>		<i>Projections</i>	<i>Projections</i>
<b>Economic Activity</b>					
Nominal GDP (NZ\$'000)	253,600	268,700	282,400	291,700	308,000
% Change	8.8%	6.0%	5.1%	3.3%	5.6%
Real GDP (at Constant 2000 Prices, NZ\$'000)	212,500	221,400	228,100	236,100	244,400
% Change	6.8%	4.2%	3.0%	3.5%	3.5%
<b>Inflation</b>					
Consumer Price Index (base Dec. 2000 = 100)	119.8	121.9	124.3	124.0	126.5
% Change	1.0%	1.7%	2.0%	-0.2%	2.0%
<b>Construction/Capital Investment</b>					
Commercial Building Approvals (NZ\$'000)	15,033	5,952	6,256	6,462	6,822
Residential Building Approvals (NZ\$'000)	8,200	6,269	6,589	6,806	7,185
<b>Productive Sector Indicators</b>					
Visitor Arrivals	78,000	84,900	88,300	91,700	95,200
% Change	1.7%	8.8%	4.0%	3.9%	3.8%
Estimated Visitor Expenditures (NZ\$'000)	98,000	108,500	115,100	119,300	126,300
Pearl Exports (NZ\$'000)	1,600	2,900	3,500	4,200	5,000
Fish Exports (NZ\$'000)	8,200	4,300	5,100	5,100	5,100
<b>External Sector</b>					
Merchandise Trade Balance (NZ\$'000)	(108,600)	(98,600)	(102,600)	(105,500)	(111,100)
Services Trade Balance (NZ\$'000)	131,500	144,000	152,400	157,800	167,000
Exchange Rate (US\$ per NZ\$, end June)	0.632	0.704	0.704	0.704	0.704
<b>Financial Sector (at FY year-end)</b>					
Private and Public Enterprise Deposits (\$'000)	120,200	114,000	119,800	123,700	130,600
Private and Public Enterprise Loans (NZ\$'000)	168,300	192,800	202,700	209,300	221,000

### **II.1.3 Social situation, including decent work and employment**

The Cook Islands population of around 18,000 people is mostly Cook Islands Maori, Polynesian people indigenous to this part of the world. Just over two thirds of the population live in Rarotonga.

Between 1996 and 2001, the population of the Cook Islands had an average annual growth rate of -3.7%; that is, it dropped by almost 17% over the five year period. Preliminary, official estimates suggest that the total population has increased since 2001. Total population in 2001 was 18,027 and the preliminary estimate for the December 2006 Census is 19,569, i.e. an increase of 8 percent over 2001. The rise is attributable in part to a large increase in the arrivals of non-residents that is officially estimated to more than offset a continuing high level of resident departures.

The Outer Islands were the most exposed to the population decline from 1996 to 2001. The most affected islands, namely Penrhyn, Rakahanga and Atiu, had a population reduction of more one third, with most islands facing a population decline of at least one quarter. Even Rarotonga lost a quarter of its 1996 population, although this was partially offset by new arrivals such that Rarotonga was the least affected by the outward migration (births meant that the Rarotonga population actually rose over the period). Preliminary estimates of the current population suggest that since 2001 the population has continued to decline in all Outer Islands except Aitutaki, albeit at a much lower rate.

Almost all of those that left their islands between 1996 and 2000 migrated overseas. Only 70% of the those in the Cook Islands in 1996 were still there in 2001. There was also some inter-island migration, predominantly to Rarotonga. During the 12 months before the 2001 census, Rarotonga had a net gain of 220 people from the Outer Islands, and 556 during the 5-year period before the census. There was very little movement of people between the Northern and Southern Group islands. At the same time, most arrivals from overseas established themselves in Rarotonga. By 2001, arrivals from overseas were as important a source of population growth in Rarotonga as births and arrivals from the Outer Islands. In contrast, most new arrivals in the Outer Islands were born there.

The preliminary results of the 2006 Census suggest that outward migration from the outer islands has continued with only Aitutaki showing any signs of improvement.

The people of the Cook Islands enjoy a high standard of living and the high HDI reflects the history of a high level of government expenditure on health, education and welfare. Government spending on health in 2002 averaged NZ\$252.77 per capita, and on education NZ\$425.08 per capita, the two largest items on the national budget.

The country is well on track to achieve the MDGs by 2015. In 2000, the under five mortality rate (per 1,000 live births) was 24. 100% of births were attended by skilled health personnel. Life expectancy at birth was 68 years for men and 74.3 years for women. The ratio of girls to boys in primary education was 0.89 and in secondary education 1.03 in year 2000. (Source: UNFPA: Cook Islands at a glance). There is a good network of government funded primary and secondary schools in all islands, and

the attendance is free and compulsory. However, the range of health services is narrower in small, remote communities. Family planning services are readily available throughout the country.

There is a significant increase in non-communicable diseases (NCD) in Cook Islands, such as diabetes and hypertension, due to unhealthy lifestyles and poor nutrition. Official data show 2004 Total Prevalence of NCD Cases has increased 5% over the year and now makes up 20.3% of the total resident population (using official data).

Note that much of the increase in NCD cases originate from the outer islands. Most outer islands economies have limited development opportunities and are heavily reliant on public sector support, whereas, Rarotonga is the centre of the economy and reaps most benefits from private sector development. There is a large outward migration of the working age group in the outer islands to Rarotonga or further overseas causing an aging population prone to NCDs - thus the outer islands make up 52% of total Hypertension & Diabetes cases for the Cook Islands.

Acute Respiratory Infections and Influenza are the main Communicable Diseases reported by the Ministry of Health making up 61% of total reported cases of selected notifiable diseases in 2004. Other significant notifiable diseases are skin sepsis, gastro diarrhea in, children and adult, asthma and pneumonia. HIV is not currently apparent within the Cook Islands. The Pacific Islands Aids Foundation (PIAF) maintains a strong presence in country and together with the public health division of the Ministry of Health maintains an awareness and education programme.

Cook Islanders receive social welfare payments, including child benefit, old age pension, destitute or inform benefit, superannuation, and war pension. In 2000, around half of all females and one fifth of males over 15 received some form of welfare benefit – females mainly child benefits and old age pensions, males mainly pensions and superannuation (Statistics Office, 2003). These benefits are a significant source of household income especially in the outer islands where there are relatively few sources of cash income. People living abroad support their island families and communities in many ways, including cash remittances.

Women play an important role in Cook Islands society. While they are underrepresented in parliament, they are important traditional leaders and leaders in non-government organisations. The National Council of Women (NCW), established in 1984, has played a great role in advancing gender equality throughout the years. As a result of the close relationship between the NCW and the Government Division for Women's Affairs, not only has the condition of women improved significantly, but women are also much more involved in key decision-making processes. Women also play a significant role at the management level in the commercial sector and in government departments.

Although the principle of non-discrimination by sex is enshrined in the Constitution and in family law, subtle forms of discrimination against women still persists (CEDAW,

2003). There are no 'positive discrimination' initiatives in place to promote equality between men and women.

Table 2 provides some Population and Social Indicators for the Cook Islands.

...	1991	1996	2001	Source
Households	3,677	4,153	3,880	2001 Census
Average Household size	4.9	4.4	4	2001 Census
Life Expectancy at birth	73			
Sex Ratio per 100	108	106	107	2001 Census
Proportion of population under age 15	35.5	35.9	34.1	2001 Census
Proportion of population aged 15-59(%)	57	55.9	55.9	2001 Census
Proportion of population aged 60 and over	7.5	8.3	10	2001 Census
Overall dependency ratio	75	79	79	2001 Census
GDP per capita (US\$)		7,848 (NZ)	10,251(NZ)	CI Annual Statistical Bulletin, 2004
Median age (years)	21.3	22.9	25.3	2001 Census
Net Enrolment Rate in Primary (Roll 2585)			99%	Ministry of Education
Gross Enrolment Ratios Primary (Roll 2588)			100%	Ministry of Education
Net Enrolment Rate Secondary (Roll 2002)			79%	Ministry of Education
Gross Enrolment Ratios Secondary (Roll 2522)			100%	Ministry of Education

The Cook Islands National Superannuation Fund (the Fund) was established on the 24th November 2000 by an Act of Parliament. Contribution to the Fund is compulsory for all employment in the Cook Islands.

From the 1st March 2006 the National Superannuation Fund is being progressively extended to the private sector. In the first year employees will contribute 3% of their income and employers will contribute 3%, rising to 5% each from the third year. In the short to medium term the reduced levels of disposable income will have some impact on the domestic economy.

Longer term, the Fund is designed to provide members with a means to save for their retirement. The Fund is intended to help give members financial security in their retirement or, in the event of their death before retirement, security for their dependants.

#### II.1.4 Environmental situation

The environment is one of the Cook Islands' major assets. The climate, topography, vegetation, reefs and lagoons make the country a popular tourist destination and provide the base for a pleasant lifestyle for most Cook Islanders. The soils of the volcanic islands are productive, while the reefs, lagoons and coastal waters are well endowed with fish and other marine life that have the capacity to meet most of the population's animal protein needs.

Small island developing states like the Cook Islands are vulnerable to events beyond their local control, particularly environmental hazards. The Cook Islands' environment is

relatively fragile and is being severely tested by coastal erosion, the impact of development growth, and as the population and economic activities are concentrated in coastal zones, the level of vulnerability to climate change is high.

In addition, whilst the Cook Islands consists both high volcanic islands and small atolls, both are highly vulnerable to extreme climate and weather events, such as cyclones, storm surges, flooding, and droughts. The Northern Group atolls are particularly sensitive due to having little protection and low capacity for implementing risk reduction measures. The limited capability of the Cook Islands to deal with weather and climate related disasters has been tested intensely in recent years due to the occurrence of powerful cyclones, including out of season events. Additionally, global and regional climate scenarios indicate an increased frequency of extreme events in the future. These events can significantly affect future socio-economic growth and development as scarce resources are diverted to disaster rehabilitation, particularly in climate sensitive sectors such as water and sanitation, infrastructure, and inshore marine resources. An integrated approach to ensure effective use of scarce human and financial resources, and within a framework of sound development planning, should include responses to climate-related risks and ensure a favourable enabling environment for adaptation to climate change and variability, including extremes.

Development and social changes have placed pressure on sensitive environmental systems and sectors of the Cook Islands. The adverse impacts of anticipated changes in climate and sea-level rise will further exacerbate the stress on these systems.

Cook Islands is committed to following a path of sustainable development that achieves for all Cook Islanders a better way of life, within stable communities while protecting the environment, specifically a path that works for all, today and tomorrow. Efforts to promote sustainable development in the Cook Islands include significant commitments to improve the lives of its people and to reverse activities that have led to the degradation of its environment.

Unfortunately adaptive capacity to environmental hazards and climate change is low, because of the small size of the nation, isolation, transport and infrastructure limitations of the outer islands, lack of comprehensive policies, shortage of human resource skills, limited access to capital and technology, and environmental circumstances that increasingly differ from past experience.

The costs and potential environmental damage associated with pollution and poor waste disposal practices are a major concern throughout the Cook Islands. The changing lifestyle of Cook Islanders and ballooning tourism numbers are the major reasons for the increase in pollution and solid waste.

The marine ecosystem in lagoons in the east and south of Rarotonga is under extreme stress as a result of pollution from land-based sources. This is especially so in the Muri and Titikaveka lagoon area in the Takitumu Vaka, where the density of tourist accommodation and commercial piggeries is particularly high. Recent outbreaks of illness relating to pollution in Titikaveka have highlighted this problem and the need for





urgent action. The relatively high population density of 182 people per square km exacerbates these factors.

A recent study undertaken for the International Waters Programme (IWP) has estimated the economic costs associated with pollution of watersheds at between NZ \$ 3.2 and NZ \$ 17.6 million. The most significant and largest estimated costs is through lost tourism income (47 percent), followed by the costs of bottled water purchases (20 percent), and healthcare costs from water quality related illness (13 percent). The report suggests that loss of lagoon fish stocks represent 7 percent of the overall costs, largely through health care costs associated with fish poisoning (ciguatera).

Health data for the Cook Islands does not allow for determination of specific effects that pollution and poor waste disposal practices have on health. However, information from the Statistic Office indicate that incidents of fish poisoning (ciguatera) have been steadily increasing over the ten year period from 1992 to 2002 with 227 reported cases in 2003 of which 74% were from Rarotonga (of which 24 percent were hospitalised), 12% from Aitutaki, and over 11% from Atiu.

To a certain extent, their environment is the only resource the Cook Islands can rely on in the long term, and this only if it remains in its present fairly clean state. Environmental degradation will not only kill tourism, but also vital marine resources, and people's day to day livelihoods. Sufficient capacity in the water, sanitation and energy systems are key to supporting a sustainable tourism industry and community development.

### **II.1.5 The country in the international context**

Over the past 10 years the Cook Islands, as a sovereign nation, has continued to grow and mature in terms of statehood. In 2001 the governments of the Cook Islands and New Zealand clarified their responsibilities to each other through the adoption of a Joint Centenary Declaration on the Principles of their Relationship. In turn this declaration provided for further development and expansion in terms of the Cook Islands foreign policy. The Cook Islands will pursue a higher-level commitment from New Zealand regarding a permanent Treaty relationship between the Cook Islands people and the New Zealand people.

The Cook Islands continues to manage full diplomatic missions with New Zealand and Consulate offices with the European Union, France, the United Kingdom and Germany. A network of honorary representatives has also been established in countries of economic and geographical importance to the Cook Islands.

Cook Islands is a member of the Pacific Island Forum and is party to all the regional agreements administered by the various regional organisations. The Cook Islands continues to demonstrate a strong commitment to regional development. It has signed the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Cooperation between PICTA signatories and Australia and New Zealand. These have provided impetus for further tariff reform.

Migration flows mainly towards New Zealand and Australia, where Cook Islanders, as New Zealand citizens, have unrestricted access and lifestyle options.

## **II.2 Poverty reduction analysis**

Despite the low overall incidence of poverty and generally good performance on development indices, the Cook Islands has a dualistic economy with people on outer islands generally receiving incomes and services far below those available on Rarotonga. Many household in the outer islands get a significant part of their livelihood from remittances, pensions and welfare.

Given the international labor mobility that exists, and the revealed preference for the lifestyles that can be led overseas, it would be unrealistic to expect much of an impact on migration from promotion of outer island development. The point is made by the case of Aitutaki, which has experienced significant tourism-led development in recent years, but which nonetheless has experienced a 23% drop in population between 1996 and 2001.

Migration has left outer islands with diminished productive capacities, smaller local markets and higher unit costs of public service delivery, especially in health and education. Simultaneously, reliance on public sector employment has increased in the majority of outer islands, while welfare benefits remain a crucial source of cash. In December 2002, there were 2,110 recipients of welfare payments, representing about 38% of the total outer island population.

Within the constraints imposed by smallness and remoteness, there are some development opportunities that, if realized, could ease the reliance on purely subsistence production and cash income from public service jobs and welfare benefits. Careful case-by-case analysis of potential development projects is required.

To further assess the areas that are likely to reduce the likelihood of poverty there are a number of strategies in place, which include improved delivery mechanisms that have been introduced in the outer islands. The DPA with NZAID/AusAID and the PCC committee has instigated a more robust process in which projects are undertaken in the Outer Islands.

There are a number of expert reviews being undertaken to help improve the assessment of poverty in the Cook Islands. These include the migration study, Small/Medium enterprise review, the ADB PIERS report and a participatory wellbeing analysis from NZAID. These are due in the following months that should feed into this analysis.

## **II.3. The recipient country's development strategy**

Today, the Cook Islands is at the cross-roads in determining its future direction after forty years of self government. In a significant move, "Te Kaveinga Nui" the *National Sustainable Development Plan (2007-2010)*, provides the pathway for sustainable development in the Cook Islands as it highlights strategic priorities in the short to medium term.

growth. It also recognizes the significance of the Offshore Financial Services Industry and supports this sector in increasing its global market share. Government also intends to support the development of the Agriculture Sector particularly in the Southern Group to assist in satisfying the demands of domestic markets on other islands including Rarotonga driven primarily by the tourism industry.

**Strategic Goal 4: Sustainable use and management of our natural resources and environment**

The Cook Islands natural environment provides the foundation for key economic sectors (tourism) and the people who directly depend on a healthy and dynamic ecosystem to support and maintain their activities. Government with its current development partner networks is committed to maintaining a healthy environment.

The National Environment Strategic Action framework (NESAF) will continue to be the leading policy framework for managing the Cook Islands natural environment. The wider environmental stakeholders will continue to implement the NESAF over this NSDP period. The outer islands will also continue developing their own environmental by-laws and management structures under the Environment Act and in relation to water:

- Develop and implement comprehensive freshwater management plan of action to guide supply and demand management of water on each island to ensure universal access to safe drinking water
- Integrated Water Resources Management Policy developed and implemented by the end of 2008 to increase access to safe drinking water on Rarotonga by 30% by 2010.
- A comprehensive Water Safety Plan consistent with the agreed Pacific Regional Action Plan for Sustainable Water Management Framework:
- Developed and implemented for at least the main outer islands by 2008 to increase by 40% access to sustainable, reliable and quality water services to the people by 2010.
- Improve the governance of water management by reviewing relevant legislations as appropriate by 2007, focusing on:
  - Establishing a National Water Authority to manage the supply of water resources for public consumption purposes; and
  - Developing public private partnership in the supply of water; and
  - The demand side management, including the adoption of the user pays principles and encouraging households to also use rainwater.

**Strategic Goal 5: Strengthened and affordable basic infrastructure, transport and utilities to support national development.**

In order to foster continuous economic growth, social well being and efficient delivery of services, Government recognizes the importance of developing national infrastructure.

An integrated environmentally sustainable infrastructure master plan (in collaboration with the Asian Development Bank) is being incorporated into the national development

process, encompassing the sub sectors of transport (land and maritime, and air transport), water and sanitation as well as energy and communications sectors.

To better cope with the growing demands of an electronic society, government is supporting the establishment of an Electronic Government system to promote and enhance information management and use.

Given the increasing costs of fossil fuel and risks of future storage and supply capacity problems affecting the economy, government will need to consider a national fossil fuel purchasing strategy, storage and supply, as well as generation capacities and increasing investments in future renewable energy infrastructure. Increasing energy efficiency through the adoption of new technologies and energy conservation practices will play a major role.

**Strategic Goal 6: A safe, secure and resilient community**

The Cook Islands 20-year Preventive Infrastructure Master Plan will provide a general framework to guide future infrastructure development projects. Sectors being addressed include roads, airports and harbours, air and shipping services, energy, and the information, communication, technology and sanitation. Without these, private sector based development is limited, particularly in those key industries, such as tourism, that require efficient services.

The provision of social services to local communities cannot be guaranteed in the absence of good infrastructure. There is difficulty in reaching the scattered population distributed across sparsely located islands. To complicate matters further, the management of infrastructure in the Cook Islands is scattered across many different government agencies and between different layers of government.

Concerns about these difficulties and long-term sustainability of investments in the 20-years Preventive Infrastructure Master Plan has prompted government to acknowledge the need for better management structures for infrastructure. The future budgeting of maintenance costs, climate proofing of these investments and ensuring these are well adapted to future severe climate changes.

**Strategic Goal 7: An effective foreign affairs policy that meets the needs and aspirations of the Cook Islands people**

To ensure that the Cook Islands continues to gain benefits from its interaction with the international community it is important that the Ministry of Foreign Affairs has the basic capacity to service and provide guidance and leadership to all stakeholders in terms of our bilateral and multi-lateral relationships.

The Ministry of Foreign Affairs and Immigration regularly interacts with donors for New Zealand and Australia, China and Asia, Europe and the European Union as well as ADB, the World Bank and the United Nations and regional organisations.

The Cook Islands has also taken positive steps to improve its management of the environment and has adopted a more focused approach to its social development goals consistent with its various international and regional commitments, including the Millennium Declaration, WSSD and various regional instruments endorsed by Forum Leaders. Moreover, the government recognizes that, if the needs and the aspirations of the people are to be met, key stakeholders in the private sector and community need to be involved.

**Strategic Goal 8: Strengthened National Coordination and Institutional Support Systems for Development Planning, Evaluation and Monitoring**

Since the 1996 economic reform process (ERP), the Cook Islands government has not had a central planning office. The office of the Prime Minister is therefore setting up the Central Planning and Policy Office to coordinate national development planning activities. It is important that there is adequate technical assistance, training and resourcing support provided to the policy, planning, assessment, monitoring and evaluation capacities within key government agencies.

In the absence of robust national, sectoral and cross sectoral planning capacities since 1996, the process for national planning revolves around the annual budget process. A shortcoming of the process is the concentration of budgetary allocations on annual work programmes without serious regard to a national medium term strategy, including the lack of a public sector investment programme that should guide the annual budget process. The Cook Islands government has also acknowledged the importance of incorporating in its national development planning efforts the key guiding principles articulated in its various international and regional commitments. The challenge remains as to how these can be achieved and appropriately reflected in its resource allocation and aid management strategies.

The next step is to finalize the sector plans, most of which are in at least the early stages of drafting, and then to progressively refine the existing corporate plans and budgets to bring them into line with the higher level plans. This planning process, combined with the modernized public sector legislation, improved financial management systems and a long period of capacity building in the public sector will provide the Cook Islands the basic tools it requires to achieve results-based management in the public sector.

**II.4. Analysis of the viability of current policies and the medium-term challenges**

The Cook Islands government has maintained, within its budget constraints, a balanced focus on the needs of the health and education sectors, environmental management and tourism development. The absence of a medium-term national development strategy or plan is an expressed concern of outer island communities, external assistance agencies, and national leaders alike. The Government's objectives and strategies are outlined briefly only in the annual budget policy statements.

## **CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY**

### **Overview of past and present EC cooperation (lessons learned)**

#### **III. 1.1 Focal sectors (and macroeconomic support)**

The Cook Islands joined the ACP group of countries only under the 9<sup>th</sup> EDF. The CSP envisaged an allocation of €2 million under the A-envelope and €0.6 million under the B-envelope. The NIP identified Outer Islands Development as the single focal sector, absorbing 100% of the A-envelope. This included the Non State Actors (NSA), which benefited from 15% of the NIP.

The Outer Islands Social Development Programme (OISDP) objective is to raise the standard of social services delivery in the outer islands by providing improved infrastructure, equipment and supplies and by ensuring that the life of these investments is maximized by adequate maintenance. The programme also assists in recruiting and retaining teachers and health workers by providing for adequate housing as an important incentive. Through the implementation of projects aimed at improving the delivery of social services on the outer islands, the Government seeks to address national disparities, increase the overall welfare of the outer island population and enhance economic growth and development. The programme is running according to schedule.

As a result of the mid-term review (2004) of the CSP/NIP, it was decided that the Community increases the funds available under envelope A by € 500,000. These changes are reflected in an Addendum to the CSP/NIP between the European Community and Cook Islands and a rider to the Financing Agreement. The Addendum further spells out that the totality of the additional funds should support the development of the outer islands.

Notwithstanding the significant outcomes of the OISDP for the development of the outer islands, a key lesson learned is that the impact and visibility of EC's support could be enhanced by stronger concentration and focus of the interventions.

As a result of the end-of-term review (2006) of the CSP/NIP, it was decided that the community increases the funds available under envelope A by € 400,000. These changes are reflected in an Addendum to the CSP/NIP that has been signed early 2007. The funds will be used together with funds available in the B-envelope for a project entitled 'Building resilience to natural disasters'.

### **III.1.2 Projects and programmes outside focal sectors**

None.

### **III.1.3 Utilisation of Envelope B**

There remain €0.6 million in the B envelope. A project proposal is under elaboration that foresees the construction of a Cyclone Shelter on the island of Pukapuka, as part of the governments overall strategy for natural disaster recovery, management and mitigation. It should be noted as regards disaster preparedness that all current and future programmes should include reinforcement of the national capacity to respond to disasters and should encourage countries to propose their own strategies.

### **III.1.4 Other instruments**

In response to a series of cyclones that hit the Cook Islands in 2005, ECHO provided €200,000 which contributed to an FAO-run project for restoration of food security in outer islands. The project encountered considerable delays. The project involved support for the re-establishment of agriculture programs through the provision of seeds, plants, fertiliser and other materials.

### **III.2 Information on the programmes of the Member States and other donors (complementarity)**

Aid flows in recent years have averaged around NZ\$12 million, excluding aid from the People's Re-public of China. On average, around two thirds of this aid comes from New Zealand and Australia. The New Zealand and Australian donor funds were harmonized with effect from 1 September 2004. This co-funded programme is managed by NZAID and is expected to provide aid of NZ\$12.4 million in 2005-06. In addition to the cyclone recovery fund, the main sectors to benefit are education (NZ\$2.9 million), outer islands development (NZ\$2.0 million) and human resource development (NZ\$1.9 million). Aid is generally received in the form of technical assistance, training, equipment and infrastructure.

### **III.3 Other EC policies**

Prudent management of the Cook Islands fishery is considered vital, with a strengthening programme of the Ministry of Marine resources underway at the present time, funded largely by NZAID. However there remains insufficient scientific data of the fishery, the fish stocks and how to fish for particular species, especially pelagic species. New strategies are being considered in this regard and the New Zealand Government has committed an additional NZ\$5million development funding to assist.

Another issue of importance is exchange and interaction is linked to cooperation on tax matters, and GoCI has made important commitments in this area (see below).

### **III.4 Description of the political dialogue with the partner country**

The EC Delegation in Suva is in regular dialogue with the Government of the Cook Islands through visits by EC officials and meetings with leaders at international fora. In coordination with other donors the EU has been raising governance issues, in particular regarding the Cook Islands commitments to implement the standards of transparency and effective exchange of information for tax matters developed in the framework of the OECD Global Forum on Taxation. At the Melbourne meeting of the OECD Global Forum in 2005, the Cook Islands again indicated its commitment to implementing the OECD tax standards (on the basis that there remains a 'level playing field') and also asked for Commission support or technical assistance in that regard.

### **III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation**

The EC Delegation in Suva holds regular meetings with donors represented in the Cook Islands – New Zealand in harmonisation with Australia – during missions and regional donor coordination meetings. In this regard, preliminary discussions with NZAID confirmed the appropriateness of the environment as the overarching focus for EDF10, noting that the prioritisation of all donor funding is a matter for the Cook Islands government.

## **CHAPTER IV: RESPONSE STRATEGY**

### **IV.1 Objectives for future co-operation**

The response strategy takes into consideration the basic principles of EC's Development Policy, as well as the results of the preceding analysis of the political, economic and social situation in the Cook Islands, the longer-term development goals, the government's own priorities and the management capacity and staff resources of the Cook Islands and those of the EC Delegation in Fiji. Past experience of other donors activities are also included in the strategy.

The future co-operation between the Cook Islands and the EC in the context of the Cotonou Agreement has been designed to ensure that:

- EC interventions have a positive impact on living conditions of all Cook Islanders;
- EDF-financed operations can be sustained in order to guarantee a long-lasting flow of benefits to the target groups and to the country as a whole; and
- projects and programmes funded under the present Agreement and its proposed Response Strategy are in areas where the EC is perceived to have a comparative advantage over other donors and aid agencies, and where it is possible to operate in close partnership with established and reputable regional agencies that have already established networks in the Cook Islands.

Under the 10<sup>th</sup> EDF issues related to good governance play a prominent role and the A envelope includes an incentive allocation that has been determined on the basis of



Government of Cook Islands' commitments in the areas of governance (including in the financial, tax and judicial areas).

#### **IV.2 Focal Area of Co-operation**

The European Commission and the Government of the Cook Islands jointly recognize that important environmental issues and the sustainable management of natural resources form an essential part of the National Sustainable Development Plan of the Cook Islands to which the EC wants to align its response strategy.

Issues related to the reliable provision of water and sanitation, lagoon environment, coastal protection, and renewable energy offer clear, result-oriented opportunities for future Cook Islands - EU development cooperation in the knowledge that other donors will continue to play a very limited role in those areas.

In October 2005, the European Commission proposed to the Pacific Forum Leaders to focus the EDF's future assistance in the Pacific on the sustainable management of natural resources, a sector of strategic importance to all PIC, where there is a general commonality of interests between the region and the European Union and where the EU has significant expertise. Sustainable development is also one of the four key pillars of the regional framework underpinning the Pacific Plan, which was approved by the Forum Leaders on the same occasion, in October 2005. The new EU strategy for a reinforced partnership with the Pacific (the "EU Pacific Strategy"), focusing equally on the sustainable management of natural resources, was approved on 17 July 2006 by the General Affairs Council of the European Union.

Following consultations between the Commission and relevant Government officials as well as other stakeholders, a broad framework for future Cook Islands - EC development cooperation emerged to the Response Strategy. In accordance with the European Consensus on Development this response strategy is in line with the listed areas for community action, notably in relation to the focal area of water and energy, and in particular water and sanitation.

The Forum's Pacific Plan, as well as the Cook Islands National Strategic Development Plan 2007-2010, put a high priority on the areas of water and sanitation, waste management and renewable energy.

The chosen focal sector is in conformity with the **Strategic Goal No. 4** - Sustainable use and management of natural resources and environment – of the NSDP, which highlights as the challenges inter alia:

- Overcoming the lack of coordinated inter-sectoral management of natural resources and environmental programmes.
- Reducing the impact of wastes and man-made pollutions on the environment.
- Strengthening the structural and organizational capacities and capabilities amongst key agencies managing natural resources in the Cook Islands.

The costs and potential environmental damage associated with pollution and poor waste disposal practices are a major concern throughout the Cook Islands. The changing lifestyle of Cook Islanders and ballooning tourism numbers are the major reasons for the increase in pollution and solid waste. Improper disposal of household refuse, insufficient collection and treatment of sewerage and septage in particular pose a direct threat to the sanitary and environmental balance on every island, especially in Rarotonga and Aitutaki, where tourism activities are concentrated.

In coordination with other donors active in this sector, this warrants a response to the various waste management and pollution issues confronting the Cook Islands in order to improve overall public sanitation and public health. It has therefore been decided to focus in particular on the following objectives:

- To improve water-related environmental and social conditions in the Cook Islands.
- To increase wastewater treatment capacity and sewer collection capacity to improve island environment and control lagoon pollution in the Cook Islands.
- To improve the overall policy framework for environmental protection.

The National Environment Strategic Action framework (NESAF) will continue to be the leading policy framework for managing the Cook Islands natural environment. The wider environmental stakeholders will continue to implement the NESAF in the framework of NSDP in support of maintaining the key economic drivers, which include tourism, agriculture, pearl industry as well as fisheries that are directly dependent on a pristine environment

In order to assist in the definition of future strategy under the 10<sup>th</sup> EDF, use should be made of the recommendations provided in the "Thematic evaluation of the European Commission's support to Partner Countries in the Water and Sanitation sector" (ref: EUROPAID – 116546/C/SV/Multi-Jly 2006).<sup>2</sup>

It is proposed to allocate 85 percent of the A-envelope or € 2,550,000 to the focal area of water and energy. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent or € 450,000 will be used to establish a Technical Co-operation Facility from which necessary Technical Assistance, studies and EDF-related training, regional integration and EPA, etc. will be funded (including assistance in collection of basic statistics if necessary). It is also noted that, given the difficulty of implementing individual disaster prevention programmes for each small island, a synergy should be found between all contributions to such programmes on a regional basis (for example the multi-country programme under the 9<sup>th</sup> EDF B-envelope).

The TCF may also be used to finance necessary measures in support of governance issues and the government's commitments. It is proposed to set up a multi-country programme

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<sup>2</sup> Main recommendations of the thematic evaluation – Water & Sanitation Sector:

- 1) Specific Water & Sanitation (W&S) sectoral needs of a partner country and the potential contribution W&S actions reducing poverty and raising living standards, can best be mainstreamed into the CSP and NIP by moving towards more formal partnerships for the W&S sector between the EC and its partners.
- 2) Before a water supply project or programme is contemplated, the need for a sanitation component must be properly assessed, and if appropriate included.

Although the IWRM principles (like proper understanding of the water resources management process, and stakeholders well equipped) are being considered, they should be applied more rigorously in planning/design/management of water supply schemes.

- 3) Balancing W&S policies with the inability of some in society to pay for water, and the need for sustainability through higher investments in Operation and Maintenance, and ensuring beneficiary empowerment, must be viewed as W&S sectoral priorities.
- 4) Continue and expand the use of sector and budget support mechanisms to implement W&S actions. Where "basket" funding is being used through sector programmes, special efforts should be made to ensure that Member States' development and sectoral priorities and the ones promoted by EC will be aligned.

The EC's financial and management systems, via which it administers W&S sector and budget support programmes, should be closer harmonised with those used by the recipient government.

- 5) Efforts to advance gender awareness in the W&S sector, particularly at decision-making level, should be doubled.
- 6) Performance indicators should be selected and mainstreamed to enable policy-makers and senior managers to assess impacts of service delivery on health and poverty. These indicators should also enable to demonstrate successes to a wider audience with more confidence.

with other countries in the Pacific that have been assessed by the OECD as potential tax havens, but have publicly committed to introduce transparency and exchange of information for tax purposes in the respective legislation and administrative procedures. Transparency for tax purposes includes the possibility to identify owners and beneficiaries of transactions and assets with reasonable means and in a timely fashion. Exchange of information for tax purposes includes the possibility to access the information rendered available under the transparency principles to the competent fiscal authorities outside of the legislation. Both principles are intrinsically linked and have to be achieved cumulatively.

The overall result of the multi-country programme shall be an effective compliance with the OECD criteria of transparency and exchange of information for tax purposes.

The European Union will engage with the government on policy dialogue in the environment sector and discussions to agree on concrete commitments with respect to the legislative framework for environmental management and its implementation.

Equally important will be the development of a meaningful dialogue and to provide – complementary to other donors - support to the Cook Islands to implement the OECD tax standards. In coordination with other donors active in this area, dialogue with the government will intensify to oversee compliance with the mutually agreed commitments. The CI has made a commitment to make progress in its implementation of OECD standards for transparency and effective exchange of information for tax purposes in the respective legislation and administrative procedures by end of 2010, for example conclusion of at least 2 Tax Information Exchange Agreements by 2010\* and negotiations with whoever approaches the Cook Islands for a TIEA by 2013.

Climate change is an important cross-cutting issue, in particular for the Pacific region and SIDs as a whole. Major regional initiatives are being considered in the context of the forthcoming 10<sup>th</sup> EDF Regional Indicative Programme. SPREP is also very active in this field, as is UNDP. Under the 10<sup>th</sup> EDF, due consideration needs to be given to the likely exacerbation of potential problems such as epidemics and famine due to water contamination, loss of arable land, and population displacement (the latter linked also to disaster response planning). For Cook Islands, some specific issues should also be borne in mind with regard to reinforcing adaptation efforts when addressing water and sanitation, for example the possible need for watershed management, and alternative production systems in agricultural activities (eg agro-forestry) - these issues should also be addressed during the identification process and the feasibility studies which will determine the specific interventions and accompanying measures of the focal sector programme.

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\* By this, it is understood that since progress is requested towards OECD standards, that as regards negotiation of TIEAs, this should be with either EU or OECD member states

### **IV.3 Implementation mechanism**

As discussed at the Regional Seminar in March 2006 and if deemed feasible and desirable by partner governments, a multi-country program approach is proposed as the preferred modality for implementing the 10<sup>th</sup> EDF. This should raise the quality of Technical Assistance, improve efficiency and effectiveness, and speed up the delivery of 10<sup>th</sup> EDF assistance.

Nevertheless a degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional agencies for technical assistance should remain an option.

The specific actions to be addressed within the focal area will be determined on conclusion of a project design study to be undertaken in 2007. The countries involved in this multi-country programme approach are, Cook Islands, FSM, RMI, Palau, Nauru, Niue, Kiribati, Tuvalu and Tonga.

Detailed implementation mechanism will be jointly discussed and agreed upon, taking into consideration lessons learned from the 5-country renewable energy project in the Pacific.

The multi-country programme proposed in the area of good governance in tax matters aims at permitting the concerned countries to assess their present status and the specific needs on their way forward, to define a realistic and concrete roadmap with significant milestones and to render reports on the progress made. The programme is predominantly supported by technical assistance and – if need be – one-off financial assistance to facilitate necessary initial steps towards eventually necessary technical applications. The multitude of countries to be covered by the programme shall permit to achieve synergies and to apply a coherent approach towards common objectives.

**Annex 1a: List of acronyms**

AMD	Aid Management Division of the Ministry of Finance and Economic Management
ACCC	Aid and Capital Coordinating Committee
ACP	Africa, Caribbean, Pacific
ADB	Asian Development Bank
AusAID	Australia Agency for International Development
CAPEX	Capital Expenditure for Outer Islands Development
CEDAW	(UN) Convention on the Elimination of all forms of Discrimination Against Woman
CIEAP	Cook Islands Energy Action Plan
CIIC	Cook Islands Investment Cooperation
CIGOV	Cook Islands Government
CSP	Country Strategy Paper
DPA	Development Partnership Arrangement for Outer Islands Development
EC	European Community
ECHO	European Commission's Office for Humanitarian Assistance
EDF	European Development Fund
EPA	Economic Partnership Agreement
ERP	Economic Reform Process
EU	European Union
FAO	Food and Agriculture Organisation
FSM	Federated States of Micronesia
HDI	Human Development Index
kWh	kilo Watt hours
MDG	Millennium Development goals
MFEM	Ministry of Finance and Economic Management
MoW	Ministry of Works
NCD	Non-communicable diseases
NIP	National Indicative Programme
NSA	Non State Actors
NESAF	National Environment Strategic Action framework
NZAID	New Zealand Assistance for International Development
NSDP	National Sustainable Development Plan
NGO	Non Government Organisation
OECD	Organisation for Economic Cooperation and Development
OISDP	Outer Island Social Development Programme
OPM	Office of the Prime Minister
PIAF	Pacific Islands Aids Foundation
PCC	Project Coordination Committee
PIC	Pacific Island Countries
PICTA	Pacific Island Countries Trade Agreement
PIERS	Pacific Islands Economic Report (ADB document)
PM	Prime Minister
RMI	Republic of Marshall Islands
TA	Technical Assistant
TCF	Technical Cooperation Facility
UNFPA	United Nations Population Fund
WSSD	World Summit on Sustainable Development

## Annex 1b: Cabinet decision on the focal sector of EDF 10

In considering the most appropriate EDF10 focus a Project Profile decision making tool developed during the ADB Infrastructure Master Plan Technical Assistance has been used in order to give Cabinet an appreciation of why the following recommendations were reached.

The tool is based on a multi-objective criteria evaluation process with the aim of enabling quick prioritization of projects in the "absence" of a detailed national economic policy being in place. The projects identified for EDF 10 funding are Renewable Energy or Sanitation and Water both are areas identified in the Preventative Infrastructure Master Plan. Seven criteria have been adopted to assist with the evaluation of projects. These are as listed in the Table below.

### PROJECT PROFILE DECISION MAKING TOOL

Questions	PROJECTS IDENTIFIED	
	Renewable Energy 1 Low - 5 High	Sanitation and Water 1 Low - 5 High
1 Will the project meet NSDP Goals	5	5
2 Will the project contribute to National Economic Growth		
Short Term - within two years	2	5
Medium Term - within five years	3	5
Long Term - within ten years or longer	4	5
3 Will the project contribute to National Revenue		
Boost revenue relative to cost of the investment	1	5
Share of operational and maintenance costs	1	4
4 Will the project lead to improved living standards		
contributes to meeting minimum level of service	4	5
leads to health improvement	2	5
5 Will the project lead to a better environment	3	5
6 Will the project provide an environment for private sector involvement	2	4
7 Will the project promote community support and involvement	4	4
<b>TOTAL</b>	<b>31</b>	<b>52</b>

Having completed the above ranking Cabinet has been requested to note the following:

- a. Both projects will meet NSDP goals
- b. The Water and Sanitation Project will achieve the biggest benefits to the economy and will also contribute to a better environment. Proposed projects to be funded have already been identified in the Preventative Infrastructure Master Plan)
- c. Although The Renewable Energy Project will have some benefits with some immediate outcomes for islands such as Mangaia the actual cost to Government has yet to be determined.

- d. The Water and Sanitation Project given that its ranking clearly outweighs the Renewable Energy Project, Water and Sanitation should be the focal area under EDF10.

It has been recommended and approved by Cabinet that based on the above ranking Water and Sanitation shall be the focal area under EDF10.

## **PART 2: INDICATIVE PROGRAMME**

### ***1.1 Introduction***

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period. .

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

### ***1.2 Financial instruments***

The implementation of the EC's cooperation strategy with the Cook Islands will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

**1.2.1 10th EDF, A envelope, € 3,000,000:** this envelope will cover long-term programmable development operations under the strategy, and in particular

*Water and energy*                      € 2,550,000    85%    EDF

*(exclusively water and sanitation for Cook Islands)*

The specific actions to be addressed within the focal area will be determined on conclusion of an in-depth project design study to be undertaken in 2007. Implementation will be through a multi-country approach whereby a centrally located Project Management Unit will service a number of participating countries.

*Non-focal area*                      € 450,000    15%    EDF

> of which:                      - the Technical Cooperation Facility € 450,000

**1.2.2 10th EDF, B envelope, € 300,000:** this envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.



1.2.3 **Investment Facility:** in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the Centre for the Development of Agriculture (CTA).

1.2.4 10th EDF, **regional indicative programme** (amount to be confirmed): this allocation will cover long term programmable development operations under the regional strategy for the Pacific. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of the Cook Islands in the programmes proposed under the regional framework.

#### 1.2.5. Other financial instruments:

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" ,as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

#### 1.2.6. Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Cook Islands implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

### 1.3 Focal sector

*Water and energy (exclusively water and sanitation for Cook Islands)*

The following specific objectives will be pursued:

- To improve water-related environmental and social conditions in the Cook Islands.
- To increase wastewater treatment and sewer collection capacity to improve island environment and control lagoon pollution in the Cook Islands.

- To improve the overall policy framework for environmental protection.

As an indicative amount, € 2,550,000 will be set aside for this field.

The main actions proposed are: construction and/or rehabilitation of sewerage networks, construction and/or upgrading of sanitation facilities and septage treatment facilities, etc. . Furthermore, technical assistance can be provided to support the Government in the future development of the Cook Islands environmental protection policy and/or to build and strengthen institutional capacity.

The main implementing instrument will be: project support using - if deemed feasible and desirable by partner governments - a multi-country programme approach (implementation pooled with other small Pacific Island Countries). This should raise the quality of Technical Assistance, improve efficiency and effectiveness, and speed up the delivery of 10<sup>th</sup> EDF assistance.

Nevertheless a degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional agencies for technical assistance, such as the South Pacific Geosciences Commission (SOPAC), should remain an option.

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are to:

- implementation of Cook Islands National Environment Strategic Action framework (NESAF);
- develop an appropriate cost recovery mechanism and maintenance scheme for installations.

The main commitments by the Government to ensure mainstreaming of the crosscutting issues are to:

- strengthen partnership between formal institutions and local communities to ensure that projects are sustainable,
- conduct education and training programmes on water conservation, management and proper sanitation.

When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

#### ***1.4 General budget support***

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

### **1.5 Other programmes**

An indicative amount of € 450,000 is set aside for the following actions in the Non-focal sector:

- The Technical Cooperation Facility, € 450,000

The TCF will primarily fund the cost of technical assistance, training and – if need be - capacity building of the NAO office. It will also be used to fund necessary technical studies and activities related to EDF implementation, future programming and /or regional integration and EPA and, if applicable, support to Non-State Actors (NSAs) and statistical reporting.

Support for Non-State Actors covers NSAs eligible for funding as defined in Article 6 of the Cotonou Agreement and article 4(1) (d) of Annex IV to the revised Agreement. Depending on their mandate, support to NSAs may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting NSAs, the EC may make use of article 15(4) which allows it to be the Contracting Authority.

Up to €100,000 of the TFC can be used to finance measures which improve governance in the tax area; in particular, actions that are directly linked to the government's commitments in this area (see Annex 3b)

The main policy measures to be taken by the Government as a contribution to the implementation of the response strategy in the non focal areas are:

"Progress towards implementation of OECD standards for transparency and effective exchange of information for tax purposes in the respective legislation and administrative procedures by end of 2010, for example conclusion of at least 2 Tax Information Exchange Agreements by 2010 and negotiations with whoever approaches the Cook Islands for a TIEA by 2013."

By this the Commission understands that since progress is requested towards OECD standards, that as regards the negotiations of TIEAs, this should be with OECD/EU member states.

### **1.6 Intervention framework**

*See below*

### **1.7 Timetable of indicative commitments and disbursements**

*See below.*

### **1.8 Chronogram of activities**

*See below.*

## 1.6 Intervention Framework & Performance Indicators

### 1.6.1 First Focal Sector – Water and energy

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<b>Overall Objectives</b>	To improve social and economic development and provide sustainable living conditions to all Cook Islanders	<ul style="list-style-type: none"> <li>- Improved HDI ranking</li> <li>- MDG achievement</li> <li>- Economic growth rate</li> <li>- Increased employment</li> </ul>	<p>HDI reports</p> <p>MDG reports</p> <p>Government records</p> <p>Government records</p>	N/A
<b>Programme Purpose</b>	<ul style="list-style-type: none"> <li>• To improve water-related environmental and social conditions in the Cook Islands.</li> </ul>	<ul style="list-style-type: none"> <li>- Status of CI environment</li> <li>- Health status of CI population</li> </ul>	<p>Ministry of Environment reports</p> <p>Ministry of Health reports</p>	<p>Stable political conditions;</p> <p>No major disaster such as destructive cyclones devastating the infrastructure;</p>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Increased wastewater and septage treatment as well as sewer collection capacity</li> <li>• cleaner environment and control of lagoon pollution</li> </ul>	<ul style="list-style-type: none"> <li>- Wastewater treatment rate</li> <li>- geographical coverage of sewerage network extension</li> <li>- Number of people benefiting from upgraded sanitation, sewerage and septage treatment facilities</li> <li>- Quality of groundwater and lagoon water</li> <li>- Decrease in water borne diseases</li> </ul>	<p>Project progress reports</p> <p>Pre and post intervention surveys, ROM</p> <p>Outer Islands Administration statistics</p> <p>Water Board statistics</p> <p>Household surveys</p> <p>Water quality reports</p> <p>Hospital statistics, health reports</p>	<p>Project funds are provided timely;</p> <p>Provision of land for treatment facilities;</p> <p>Facilities properly maintained with cost recovery mechanisms at an appropriate level;</p> <p>CI Government delivers water and sanitation related awareness and training programmes;</p>

Below is a set of indicators that can be useful for designing performance assessment for W&S

<b>Intervention</b>	<b>Indicator</b>
Sustainable national water resource management	<ul style="list-style-type: none"> <li>● Existence of a national water policy, with clearly defined institutional roles and responsibilities</li> <li>■ Regional exchanges on IWRM good practices.</li> <li>■ Transparency of decision making processes and participation of stakeholders</li> <li>■ Introduction of a national water resource plan, including a national &amp; local IWRM strategy.</li> </ul>
Fair and appropriate allocation of water between all users. - water for food, water for nature, water for basic needs & water for energy & industry,	<ul style="list-style-type: none"> <li>● % of Population (urban, peri-urban and rural) with sustainable access to safe drinking water</li> <li>● % of Population (urban, peri-urban and rural) with access to basic sanitation</li> </ul>
Improving health and quality of life of the poor through sustainable water resource management	<ul style="list-style-type: none"> <li>● % of mortality rate due to water-related disease (especially under 5 mortality)</li> <li>● Prevalence of diarrhoea</li> <li>● Health costs of water related disease (% of income)</li> </ul>
Ensure an healthy access to safe drinking water, sanitation & waste disposal systems for the poor	<ul style="list-style-type: none"> <li>● Hygiene education &amp; sanitation facilities provided in schools</li> <li>● Involvement of women in decision-making processes</li> </ul>
Gender sensitive WS&S services and infrastructure	

1.7 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010 →	
		1	2	1	2	1	2
<b>1st FOCAL SECTOR – Water and energy</b>	M €						
- Project 1 - Project 1 : MULTI-COUNTRY PROGRAMME	M €		2.55				
- Project 2	M €						
<b>2<sup>nd</sup> FOCAL SECTOR – none</b>	M €						
- Project 1	M €						
- Project 2	M €						
<b>NON FOCAL SECTORS</b>	M €						
- Institutional support for non state actors.	M €						
- Technical cooperation facility	M €		0.45				
- Contribution to regional programmes	M €						
-<optional> Support for EPA	M €						
-<optional> Support for Governance	M €						
-Other	M €						
<b>Total Commitments:</b>	M €		3.0				
<b>Total Cumulative Commitments :</b>	M €		3.0				

1.7.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
<b>1<sup>ST</sup> FOCAL SECTOR – Water and energy</b>	<b>M€</b>						
- Project 1 MULTI-COUNTRY PROGRAMME	M€2.55		0.4	0.15		2.0	
- Project 2	M€						
<b>2<sup>ND</sup> FOCAL SECTOR – &lt;name&gt;</b>	<b>M€</b>						
- Project 1	M€						
- Project 2	M€						
<b>NON FOCAL SECTORS</b>	<b>M€</b>						
- Institutional support for non state actors.	M€						
- Technical cooperation facility	M€0.45		0.2		0.2		0.05
- Contribution to regional programmes	M€						
-<optional> Support for EPA	M€						
-<optional> Support for Governance	M€						
-Other	M€						
<b>Total Commitments :</b>	<b>M€</b>						
<b>Total Cumulative Commitments :</b>	<b>M€</b>						

### 1.8 Chronogram of activities

1 <sup>st</sup> FOCAL AREA (2.55 M €) <i>Water and energy</i>	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1 Multi-country program	M €2.55		AF	FD	*	*	*	*	*	*	*	*	*
- Project 2	M €												
2 <sup>nd</sup> FOCAL AREA (.... M €)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M €												
- Project 2	M €												
NON FOCAL AREAS (0.45 M €)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Institutional support for non state actors.	M €												
- Technical cooperation facility	M €0.45		AF	*	*	*	*	*	*	*	*	*	*
- Contribution to regional programmes	M €												
-<optional> Support for EPA	M €												
-<optional> Support for Governance	M €												
-Other	M €												

FS: Feasibility Study

AF: Action Fiches

FD: Financing decision

\* : Project implementation



Annex 1 : Country at a glance : Cook Islands

<b>Table 1: Economic Indicators</b>										
<b>2003-04</b>		<b>2004-05</b>		<b>2005-06</b>		<b>2006-07</b>		<b>2007-08</b>		
<i>Actual</i>		<i>Actual/Estimates</i>		<i>Projections</i>		<i>Projections</i>		<i>Projections</i>		
<b>Economic Activity</b>										
Nominal GDP (\$'000)		253,600	268,700	282,400	291,700	308,000				
% Change		8.8%	6.0%	5.1%	3.3%	5.6%				
Real GDP (at Constant 2000 Prices, \$'000)		212,500	221,400	228,100	236,100	244,400				
% Change		6.8%	4.2%	3.0%	3.5%	3.5%				
<b>Inflation</b>										
Consumer Price Index (base Dec. 2000 = 100)		119.8	121.9	124.3	124.0	126.5				
% Change		1.0%	1.7%	2.0%	-0.2%	2.0%				
<b>Construction/Capital Investment</b>										
Commercial Approvals (\$'000)	Building	15,033	5,952	6,256	6,462	6,822				
Residential Approvals (\$'000)	Building	8,200	6,269	6,589	6,806	7,185				
<b>Productive Sector Indicators</b>										
Visitor Arrivals		78,000	84,900	88,300	91,700	95,200				
% Change		1.7%	8.8%	4.0%	3.9%	3.8%				
Estimated Expenditures (\$'000)	Visitor	98,000	108,500	115,100	119,300	126,300				
Pearl Exports (\$'000)		1,600	2,900	3,500	4,200	5,000				
Fish Exports (\$'000)		8,200	4,300	5,100	5,100	5,100				
<b>External Sector</b>										
Merchandise Trade Balance (\$'000)		(108,600)	(98,600)	(102,600)	(105,500)	(111,100)				
Services Trade Balance (\$'000)		131,500	144,000	152,400	157,800	167,000				
Exchange Rate (US\$ per NZ\$, end June)		0.632	0.704	0.704	0.704	0.704				

<b>Financial Sector (at FY year-end)</b>					
Private and Public Enterprise Deposits (\$'000)	120,200	114,000	119,800	123,700	130,600
Private and Public Enterprise Loans (\$'000)	168,300	192,800	202,700	209,300	221,000

<b>Table 2 : Population Indicators</b>	<b>1990</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Total population (million)	0.17	0.184	0.135	0.180
Annual population growth rate (% change)	-1.2	1.1		
<b>SOCIAL INDICATORS</b>				
Proportion of the population below 1 USD per day (%)				
Average				
Total fertility rate (births per woman)				
Prevalence of child malnutrition (% children under 5)				
Maternal mortality rate (per 100,000 live births)				
Infant mortality rate (below 1 year, per '000 live births)		8.9		
Child mortality rate (below 5 years, per '000 live births)		24		
Proportion of births attended by skilled health personnel (%)	na	100		
Life expectancy at birth (years)				
Female		71		
Male		66		
Adult literacy (%)				
Men				
Women				
Primary school enrolment (% of school age)				
Prevalence of TB (per 100,000 people)				
Immunization against childhood diseases (% coverage)			90	
Population with access to improved water supply (%)	na	100		
Human Poverty Index				

	Indicator	1990	2000	2004	2005	2006	2007	2015
Impact	1. Proportion of population below \$1 per day <sup>3</sup> 2. Prevalence of underweight children (under-five years of age) 3. Under-five mortality rate							
Outcome	4. Net enrolment ratio in primary education 5. Primary Completion Rate 6. Ratio of girls to boys in: - primary education - secondary education - tertiary education 7. Proportion of births attended by skilled health personnel 8. Proportion of 1 year old children immunised against measles 9. HIV prevalence among 15-24 year old pregnant women 10. Proportion of population with sustainable access to an improved water source							

<sup>3</sup> An equivalent indicator based on national poverty lines can replace indicator 1, as appropriate.

**ANNEX 3**  
**Cook Islands**  
**Country Environment Profile**  
**(Summary Only)**

September 2006

*Prepared and compiled from existing published reports, as part of the of the Country Support Strategy for the 10<sup>th</sup> European Development Fund programming under the Cotonu Agreement in line with the EU Pacific Strategy focusing on strengthening cooperation to address the management of natural resources and environmental challenges.*

**1. Summary**

This Cook Islands Country Environment Profile provides the background information from a national perspective, and suggests possible areas for intervention with EDF 10 resources.

The Cook Islands comprises 15 islands formed geographically into two groups scattered over an exclusive economic zone of 1.8 million km<sup>2</sup>. The Northern Group is made up of low coral atolls while the Southern Group consists of volcanic hilly islands. Rarotonga, the largest island, is situated in the Southern Group. Cook Islands has a total land area of 236.7 km<sup>2</sup>.

Tourism is one of the main drivers of development in the Cook Islands. This has resulted in ribbon development along the coastal strip gradually making the islands less aesthetically attractive and causing widespread coastal degradation. 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 have all taken their toll on the fragile coastal ecosystems. Of these factors, the removal of coral and beach aggregate has caused the most serious erosion problem, and solid waste and sewage disposal are growing problems.

Cook Islands is committed to following a path of sustainable development that achieves for all Cook Islanders a better way of life, within stable communities while protecting the environment, specifically a path that works for all, today and tomorrow. Efforts to promote sustainable development in the Cook Islands include significant commitments to improve the lives of its people and to reverse activities that have led to the degradation of its environment.

Cook Islands has faced a challenging decade since the publication of its National Environment Management Strategy (NEMS) in 1993, which is based upon the principles agreed to at the Earth Summit on Environment and Development held in Rio, 1992.

The Cook Islands NEMS (1993) highlighted four environmental objectives within which were embedded 15 strategies and 31 programmes. These environmental objectives were:

- integrate environmental considerations in economic development;
- improve environmental awareness and education;
- manage and protect natural resources; and
- improve waste management and pollution control.

Cook Islands progress over the last decade has laid the platform for necessary mechanisms to implement all its environmental obligations under international and regional environment conventions since the Barbados Programme of Action in 1994, which have all contributed to national efforts of sustainable development and natural resource management. Despite progress over the years, new concerns have emerged together with imperative issues of special needs that require immediate assistance from the international community on the sustainable management, protection and conservation of Cook Islands natural, ecological, cultural and human resources. These emerging concerns are seen as the next stepping stone for Cook Islands to consider in the coming decade if it is to fully realise a balance between development and natural resource management.

Unfortunately adaptive capacity is low, because of the small size of the nation, isolation, transport and infrastructure limitations of the outer islands, lack of comprehensive policies, shortage of human resource skills, limited access to capital and technology, and environmental circumstances that increasingly differ from past experience.

An infrastructure issue of concern is the risks for a total systems failure which needs to be assessed for its impact on the economy. Sufficient capacity in the water, sanitation and energy systems are key to supporting a sustainable tourism industry and community development.

Some brief specific comments on challenges and concerns are as follows.

### **Climate Change**

- For meteorological forecasting and climate analysis, the high cost and rapid changes in technology, the remoteness of the islands, low priority given the meteorological services by national government and the non-core situation of the department.
- Improvements to early warning systems are essential with unpredictable hazards such as storm surges and cyclones, long term warning systems are also important especially for droughts.
- Further develop and strengthen capacity to adapt to climate change, including through the application of traditional knowledge, locally appropriate technology and customary practice.
- Ensure that the capacity – to detect, plan and respond – exists in all sectors to be impacted by climate change.
- Increase consultations and public awareness and education programmes.

### **Natural and Environmental Disasters**

- The shift in approach to disaster management from recovery to preparedness and risk reduction requires gaining commitment from government to strengthening disaster reduction and risk management capabilities and to effectively linking disaster reduction and risk management activities to the national development planning process.
- Improve and upgrade existing disaster legislation and strengthen the capacity of the current National Disaster Office.
- Complete a comprehensive national hazard risks analysis.

### **Management of Waste**

- Establishment of a reception facility as required under the Marine Pollution Prevention Act for the disposal of waste from vessels.
- Ratifying relevant international conventions.
- Improve community solid waste disposal facilities on island.
- Ensure the vulnerability to waste through impacts especially from tourism development does not increase, and these impacts are effectively monitored and managed.

### **Coastal and Marine Resources**

- Improve reef and lagoon management to ensure that biodiversity is preserved.
- Strengthen management and coordination of pearl farming activities.
- Support the deployment of ocean monitoring buoys to enhance long term vulnerability assessments, monitoring and risks management programmes through improved data compilation, management and sharing of information.

### **Freshwater Resources**

- Increase water storage capacity, and treatment options on all islands to improve ability to cope with increasing droughts.
- Develop water accounting systems (metering) for the introduction of 'user pays' system.
- Introduce an amendment to the building code to require all new houses to have a water tank to supplement water supply through rainwater harvesting.
- Development of groundwater as a supplement to established water supplies.
- Improve relevant data collection and monitoring, and dissemination through ongoing programmes for public/community awareness and education.

### **Land Resources**

- Introduce land zoning that will not encroach on the rights of traditional land owners and will fit the land tenure system.
- Develop and implement appropriate sustainable agriculture and forestry plans on Rarotonga and the outer islands, that ensure a consultative and participatory process with the landowners,
- Improve commercial agriculture activities that are both environmentally sustainable and providing a regular food supply for the tourists.
- Develop and utilise spatial information systems that effectively support sustainable agriculture and forestry plans and contribute to public awareness and education programmes.

### **Energy Resources**

- Urgent need to develop alternative and renewable energy sources, especially on the outer islands.
- Improve energy efficiency and conservation especially on Rarotonga, and in the commercial, especially tourism sectors.
- Source financial resources to support the changes needed in the energy sector, and at the same time upgrading existing infrastructure particularly for electricity generation on Rarotonga.
- Improve the data, information and knowledge base that supports the energy sector.

### **Tourism Resources**

The main industry, tourism has reached saturation point and further development cannot be sustained unless certain factors including infrastructural services particularly capacity issues have been addressed. The electricity supply and water infrastructure have almost reached their peak in capacities in sustaining current tourism and community demands, and both require significant upgrades and policy changes to deal with anticipated future demands.

### **Biodiversity Resources**

- Develop and implement plans for long term conservation of biodiversity of island, coastal and lagoon ecosystems.
- Protect traditional knowledge, and intellectual property rights in regard to flora and fauna.

The conclusions and recommendations of the Cook Islands Country Environment Report are as follows.

**Conclusion 1:** It should be highlighted that this Cook Islands environmental profile has been compiled as a desk study. Nonetheless, it has benefited from access to reporting on environmental issues by Cook Islands produced over the past decade, since 1992 at UNCED in Rio (Agenda 21), and in 1994 at the Barbados International Meeting on Sustainable Development for Small Island Developing States (BPoA). Most recently, Cook Islands has had the opportunity to produce national assessment reports for the 10-year review of both Agenda 21 (the World Summit on Sustainable Development in 2002), and the BPoA (the International Meeting on SIDS in 2005). Furthermore, the first 5-year national report of progress on achieving the MDGs was due for completion in September 2005.

**Conclusion 2:** The EU has supported Cook Islands along with all Pacific ACP countries during recent global environmental processes, and in particular in regard to environmental issues such as climate change, water and sanitation, renewable energy, food security, and how to improve livelihoods of island people by addressing the "special case for SIDS" in regard to vulnerability and addressing poverty through establishing poverty reduction strategy papers and national sustainable development strategies, or the like. Cook Islands needs support for implementation from the EDF 10.

**Conclusion 3:** Notwithstanding the current Country Support Strategy (refer Section 4.1) for EDF 9, together with assistance being provided through the Regional Indicative Programme, it should be noted that along with other Pacific ACP countries, Cook Islands has agreed to the new Strategy for Strengthened Partnership between the EU and the Pacific Islands which has a "*blue-green*" theme *within the context of sustainable management of natural resources and environmental challenges*. Within this broad theme specificity is needed to ensure the activities to be supported by the NIP deliver tangible and concrete benefits at national level that demonstrably contribute to strengthening the environmental pillar of national sustainable development and poverty reduction. In this context also, improved and strengthened links need to be demonstrated with the activities to be carried out at national level by the regional organisations supported by the Regional Indicative Programme.

**Conclusion 4:** The environment of the Cook Islands is no exception to the reality that it provides the basic goods and services, such as water, energy and food security, upon which people live. Improvements and sustainability in these areas are essential to underpin generation of economic wealth. Cook Islands acknowledges that environmental considerations are inextricably linked across

their national development planning efforts, but there is a need to strengthen these interlinkages to ensure improved decision-making supports efforts to achieve sustainability.

**Conclusion 5:** The state of the Cook Islands environment over the past decade has deteriorated and remains extremely vulnerable. Over the past decade much has changed with internal shocks from for example increasing tourism activities, and external shocks such as globalisation, HIV/AIDS, climate change and most recently increasing fuel prices. All are putting increased stress on the environment. Key examples of improvements needed are; secure safe water supply and sanitation; developing access to affordable renewable energy resources; food security from fishing and agriculture, to support sustainable development, improve lifestyles and reduce poverty. The urban and rural population, including the outer islands must be targetted. Improvements in these "sectoral" areas will also have a positive impact on reducing Cook Islands's vulnerability to climate change and natural disasters (many of which are weather-related).

**Conclusion 6:** Over the past decade some progress in many areas has been made in improving environmental sustainability through institutional strengthening. Although not has significant as Cook Islands would have liked. Much of the progress has been at the initiative of the Cook Islands and with its own financial resources. But much remains to be done to improve the efficiency and effectiveness of the national environmental machinery including strengthening the role of the NGOs. Development partners, including regional organisations, need to harmonise and coordinate their assistance more closely with Cook Islands needs and efforts, and amongst themselves. This will make both existing and new resources more efficient and effective.

**Conclusion 7:** In order to provide a platform to facilitate closely cooperation with its development partners, and improve governance, Cook Islands has developed overarching planning policy/regulatory framework in the form of its National Sustainable Development Plan 2006-2010 to embed the principles of sustainable development in the national planning process, including issues of environment concern. There is much room for supporting capacity building and technical assistance in this context.

**Conclusion 8:** Cook Islands's capacity needs to be strengthened to manage its large marine environment compared with the generally small island land areas. In reality, as the marine "blue environment" and land "green environment" are an environmental continuum across the coastal zone. Cook Islands needs a spatially integrated management approach, similar to "island system management" promoted by the EU through one of the EDF8/9 regional projects.

**Conclusion 9:** Cook Islands, like many other of its neighbours, recognises the opportunities of improved information and communication technologies, in particular in regard to getting more up to date data and making it readily available to support the decision-making process.

**Conclusion 10:** Cook Islands needs to develop and strengthen its own national setting of indicators and targets, and monitoring arrangements to track progress, and link these to international development goals agreed at for example the WSSD, the Mauritius International Meeting on SIDS, and contained in all relevant MDGs and targets, not just MDG7 on environmental sustainability.

**Recommendation 1:** Concerning the selection of the focal sectors and response strategies for Cook Islands, within the overarching "blue-green" theme of sustainable management of natural resources and environmental challenges, key areas to consider are: securing safe water supply and sanitation; developing access to affordable renewable energy resources; and improving food security from fishing and agriculture.

**Recommendation 2:** As a governance issue in regard to national institutional capacity to improve the management of natural resources and the environment, consideration needs to be given to supporting Cook Islands address institutional capacity assessment and needs for all its line ministries. Specifically:



- there is an immediate need to promote the participation and involvement of NGOs at the national and community level and be supported through capacity building;
- additional financial assistance is required to implement priority human capacity building needs of the country; and.
- the recognition of integrating environmental consideration into national economic planning is a critical issue that requires priority attention. The implementation of the new National Sustainable Development Plan 2006-2010 is key to support in this context.

**Recommendation 3:** Improve Cook Islands' national environmental information systems, and ensure environmentally-relevant indicators to be used in the EDF 10 National Indicative Programme, are integrated into these systems.

**Recommendation 4:** Cook Islands access to the use of EC horizontal budget lines (such as Environment and Forests) and facilities (EU Water Facility - EUWF and the EU Energy Facility - EUEF), and the EU/ACP Natural Disaster Fund are limited by national capacity constraints. Each of these opportunities for additional financial resources are important and should these funds/facilities be ongoing consideration needs to be given to assisting Cook Islands prepare the bulky and complex applications.

**Recommendation 5:** In order to ensure effective and efficient support to Cook Islands, it is important for the EU to develop new and strengthen existing opportunities for co-ordination on natural resources and environmental issues with other donors (including regional organisations) seeking to achieve complementarities and synergies.

*This report is financed by the European Commission and is presented by Russell Howorth of Matadrevula Advisory Services (russell@matadrevula.com) for the Cook Islands and the European Commission. It does not necessarily reflect the opinion of the Government of the Cook Islands or the European Commission.*

#### **Annex 4: Country Migration Profile**

Not an issue for the Cook Islands

#### **Annex 5: NSA in the CSP Drafting Process**

NSA in the Cook Islands have been involved in the process of drafting the CSP at various stages during the programming exercise.

It has been a primary objective for the EC Delegation in Suva throughout 2006 to include meetings with NSA in all official missions to the Cook Islands in order to discuss the country strategy for EDF 10. The NAO has been reminded of his obligation to consult with NSA. There has been regular contact on the drafting of the 10<sup>th</sup> EDF CSP particularly with those NSA which assist in the implementation of the 9<sup>th</sup> EDF.

The Commission's efforts to involve NSA in the programming process culminated in a one day NSA Forum on the 10<sup>th</sup> EDF held in Suva on 22 August. Those regional Pacific NSA which were unable to send a representative were included via an online discussion forum and invited to make a submission that would be shared with those attending the forum. No such submission was received by any of the NSA not in attendance.

The forum saw fruitful discussions centering on ways NSA can contribute to the success of 10<sup>th</sup> EDF programmes in their respective countries. Follow-up communication after the forum included the distribution of a range of documents to all significant NSA in the Pacific including those in the Cook Islands. Part of this mail-out was the report of the NSA forum on 22 August and again an invitation to share the vision, ideas and plans of NSA with us in regards to how they believe they can contribute to the respective country strategy. No such submission was received.

#### **Annex 6: Harmonisation road map**

Does not exist

#### **Annex 7: International conventions**

The Cook Islands is an Associate Member of the Commonwealth and member of a wide range of international organisations (Asian Development Bank, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), FAO, WHO and UNESCO) and has concluded a number of international treaties, both multilateral and bilateral, in its own right. Cook Islands is not a member of the UN. A request for membership is under consideration

#### **Annex 8: Debt Sustainability (NA)**

**ANNEX 3B – LIST OF GOVERNMENT’S COMMITMENTS**

	<b>Governance area</b>	<b>Prospective commitments</b>
<b>1.</b>	<b>Political democratic governance</b>	
	- Human rights	
	- Fundamental freedoms	
	- Electoral process	
	- Principles of constitutional democracy	
<b>2.</b>	<b>Political governance - rule of law</b>	
	- Judicial and law enforcement system	
<b>3.</b>	<b>Control of corruption</b>	
<b>4.</b>	<b>Government effectiveness</b>	
	- Institutional capacity	
	- Public finance management	Progress towards implementation of OECD standards for transparency and effective exchange of information for tax purposes in the respective legislation and administrative procedures by end of 2010, for example conclusion of at least 2 Tax Information Exchange Agreements by 2010 and negotiations with whoever approaches the Cook Islands for a TIEA by 2013.
<b>5.</b>	<b>Economic governance</b>	
	- Private sector/market friendly policies	
	- Management of natural resources	Strengthening of a comprehensive legislative framework for environmental management by 2010
<b>6.</b>	<b>Internal and external security</b>	
	- Internal stability / conflict	
	- External threats and global security	
<b>7.</b>	<b>Social governance</b>	New Labour Bill enacted by end of 2009
<b>8.</b>	<b>International and regional context</b>	
	- Regional integration	
	- Involvement in regional peer review mechanisms (e.g. APRM)	
	- Migration	
<b>9</b>	<b>Quality of partnership</b>	
	-Political dialogue	
	-Programming dialogue	
	-Non state actors	

(THOSE COMMITMENTS HIGHLIGHTED WILL BE ASSESSED)