

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

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

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

III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress under the Poverty Partnership Agreement

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

B. Progress in the Country Strategy and Program Focus Areas

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

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

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

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

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

C. Highlights in Coordination of External Funding and Partnership Arrangements

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

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

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

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

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