

## SECTOR ASSESSMENT (SUMMARY): PUBLIC SECTOR MANAGEMENT<sup>1</sup>

### A. Sector Road Map

#### 1. Sector Performance, Problems and Opportunities

1. **Disaster risk.** The Cook Islands experiences a range of natural hazards, including tropical cyclones, tsunami, floods and droughts. It faces particularly high tropical cyclone risk, with associated high winds, storm surges and flooding. Disasters can have a devastating economic and social impact on immediately affected communities, resulting not only in damage to infrastructure, crops, and housing but also leading to the loss of livelihoods, disruptions in economic activity, and significant additional demands on limited public resources. The small, narrowly-based economy of the Cook Islands is particularly vulnerable. At least 60% of the country's gross domestic product (GDP) is generated through the highly sensitive tourism industry, which can be impacted both by the direct physical impacts of disasters on tourism infrastructure (including transport) and by the impact of downturns in the regional and global economy.

2. Cyclone risk was highlighted in 2005 when the country experienced five consecutive cyclones over a period of two months, including four category 5 storms, causing damage estimated at \$10 million.<sup>2</sup> Previously, the main island of Rarotonga, where two-thirds of the population is located, was extensively damaged by Cyclone Sally in January 1997. In November of the same year, Cyclone Martin destroyed about 90% of houses and killed 19 people on Manihiki atoll.<sup>3</sup> The most recent major cyclone occurred in 2010, damaging 78% of houses in Aitutaki, devastating crops, disrupting tourism, and requiring a NZ\$9.5 million recovery and reconstruction program.<sup>4</sup> Fuller data on historical losses is highly incomplete. However, recent analysis undertaken under the Pacific Catastrophe Risk Assessment and Financing Initiative indicates that the country faces an average annual loss of \$4.9 million from tropical cyclones alone, with probable maximum losses of \$56.8 million, \$103.0 million and \$198.1 million from 1-in-50, 1-in-100 and 1-in-200 year events respectively.<sup>5</sup>

3. **Policy and institutional arrangements.** The Cook Islands has established strong policy and institutional arrangements for DRM. A DRM Policy was approved in late 2005, outlining a multi-hazard, integrated, whole-of-government and country approach to DRM. The policy called for the application of formal risk management processes to all aspects of national development planning to reduce disaster risk. A Disaster Management Act was enacted in 2007, establishing the institutional and organizational framework for DRM activities but with a focus predominantly on response activities. The Act provides clear guidance on the declaration of states of disaster and emergency. It also promulgated the establishment of a National Disaster Risk Management Council (NDRMC), chaired by the Prime Minister, to provide high-level oversight, policy guidance and direction; and replaced the previous National Disaster Management Office with Emergency Management Cook Islands (EMCI), located under the Office of the Prime Minister (OPM). EMCI is tasked with supporting the work of the NDRMCC

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<sup>1</sup> Given the focus of the proposed program-based loan on disaster risk management, the sector assessment focuses on public sector management issues related to DRM.

<sup>2</sup> ADB. 2006. *Strengthening Disaster Management and Mitigation*. Volume 4: Climate Change Considerations. Manila.

<sup>3</sup> de Scally, F. 2008. "Historical tropical cyclone activity and impacts in the Cook Islands", *Pacific Science* vol. 62, no. 4:443–459.

<sup>4</sup> Pacific Community. 2011. *Cook Islands Investment in Disaster Risk Management*. Suva.

<sup>5</sup> World Bank. 2015. Country Note: The Cook Islands—Disaster Risk Financing and Insurance. Washington, DC.

and developing and implementing DRM plans. National Disaster Risk Management Arrangements were subsequently prepared in 2009 to elaborate the institutional framework at national and local levels to implement the 2007 Act but have not been formally adopted. To support implementation of DRM activities, disaster coordinators have been designated on the outer islands. In accordance with the 2007 DRM Act, outer island disaster management plans have been created, and disaster focal points have been designated in all ministries and agencies. DRM committees have also been established at the village-level in Rarotonga.

4. Despite establishing policy and institutional arrangements, gaps in implementation remain. The NDRMCC meets infrequently, typically only in the aftermath of a disaster event. DRM planning and coordination would benefit from more regular focused NDRMCC meetings, including at the beginning and end of the cyclone season to ensure adequate preparedness and lesson learning respectively. Successive plans and reviews have also highlighted the need to further strengthen the technical capacity and human resources of EMCI. Technical capacity for DRM and CCA on the outer islands is particularly limited. Compliance rates are also low regarding the 2007 DRM Act's Requirement that all government agencies should develop agency disaster response plans. Regular national disaster drills would be beneficial, complementing existing sector-based exercises.

5. For capacity development, a teachers' DRM toolkit has been prepared but is not integrated into the education curriculum, limiting its potential application in schools. It could usefully be amended for inclusion in the induction program for civil servants. The Cook Islands National policy on Gender Equality and Women's Empowerment and Strategic Plan of Action (2011–2016) emphasizes improved capacity of women to contribute to climate change adaptation (CCA) and disaster risk reduction strategies.<sup>6</sup> Efforts are also underway to strengthen forecasting and early warning systems, with development partner support. The Red Cross plays an important part in this regard, maintaining satellite phones for use when necessary. However, potential challenges could arise where different parts of the monitoring and forecasting network are owned by different stakeholders. A tsunami early warning system has been installed, including public sirens and designated evacuation routes.

6. **Structural resilience.** Successive infrastructure plans for the Cook Islands have taken disaster resilience into account, including the Preventive Infrastructure Master Plan drawn up in 2007 with ADB support and a recent national infrastructure investment plan (NIIP)<sup>7</sup>, which included an assessment of the potential impacts of climate change and natural hazards on the infrastructure sub-sectors and, in particular, on the priority projects, including detailed assessment of the highest risk projects to identify potential measures and associated costs to increase resilience. Successive infrastructure plans have also highlighted the designation and, where necessary, construction of public buildings suitable as cyclone shelters.

7. All investments are required to undergo environmental impact assessments, in accordance with the 2003 National Environment Act, including analysis of the impact of natural hazards. The government is developing a new activity management cycle for investment planning, implementation and monitoring, and completion and evaluation, known as *te tarai vaka* (TTV), which is mandatory for activities in excess of NZ\$150,000. Activity concept notes are required to outline how the activity design process will include consideration of climate change and disasters. The government plans to develop a specific climate and disaster risk

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<sup>6</sup> Government of the Cook Islands. 2011. *National policy on Gender Equality and Women's Empowerment and Strategic Plan of Action (2011–2016)*. Rarotonga.

<sup>7</sup> Government of the Cook Islands. 2015. *National Infrastructure Investment Plan, 2015-2020*. Rarotonga.

screening tool as part of the approval process. A new building code is also under development that will incorporate elements regarding disaster and climate risk. Action will be required to support the implementation of the revised building code, including training for local construction firms and homeowners. The benefits of the revised code will be potentially limited by land ownership issues and related land use planning challenges.

8. An online geoportal is currently under development by EMCI in coordination with Infrastructure Cook Islands, and the Meteorological Services, which will include a geographic information system database on housing, infrastructure and other assets and some detailed vulnerability and risk mapping, for example, for coastal inundation for Rarotonga. Some vulnerability needs assessments have also been conducted while the Cook Islands Red Cross is assessing vulnerable individuals. Currently, the country lacks a standardized disaster risk assessment methodology and related forms and has no consolidated damage and loss database or related post-disaster expenditure tracking system. The geoportal will therefore provide critical baseline data for post-disaster damage assessments.

9. **Disaster risk financing.** The government has established several ex ante mechanisms to enhance the management of the fiscal risk of disasters. A disaster response trust fund was established in 2011 with an initial budget allocation of NZ\$0.2 million, increasing to NZ\$1.5 million in 2016 and with a further budget allocation of NZ\$0.6 million under the FY2017 budget. Use of this trust fund is limited to emergency response purposes rather than for longer-term rehabilitation and reconstruction. The fund can only be drawn down following the declaration of a state of disaster or emergency in accordance with the 2007 DRM Act.

10. To further augment its disaster risk financing arrangements, the Cook Islands joined the Pacific Catastrophe Risk Insurance Pilot in 2013 and has continued to participate in the pilot since then, purchasing annual insurance cover with a 1-in-10 year attachment using its own funds. It has not experienced a disaster triggering a payout, but continues to purchase cover, reflecting strong understanding of the purpose and functioning of an insurance mechanism as an element of its broader financing framework for managing disaster risks. An allocation of NZ\$121,000 was included under both the FY2016 and FY2017 government budgets for the PCRIP premium and further allocations for the same amount are forecast for subsequent years up to FY2020. Steps are currently underway to establish and license the Pacific Catastrophe Risk Insurance Foundation in the Cook Islands, which will own a captive insurance company.

11. Post-disaster budget reallocation both within and between ministries and international assistance provides additional sources of financing. However, public infrastructure is not insured against natural hazards. Penetration of catastrophe insurance cover for homeowners and business is also low, placing additional contingent liability on government although a new insurance company has recently commenced business in the country, offering catastrophe cover as additional cover beyond basic policies at premium rates in the region of 0.3–0.7%. Following the declaration of a state of disaster or emergency, the Minister for Finance and Economic Management and/or the Executive Council may also authorize expenditure from the public account to meet emergency (and other) needs in addition to those already appropriated up to an amount not exceeding 1.5% of the total public account appropriated for that year.

## 2. Government's Sector Strategy

12. **DRM strategies and plans.** The current national sustainable development plan seeks to integrate disaster and climate resilience into mainstream development.<sup>8</sup> National Development Goal 13 focuses on strengthened resilience to combat the impacts of climate change and disasters, in particular as captured in terms of community resilience, access to designated cyclone shelters, and the construction of public buildings and infrastructure built to cyclone-strength standards.

13. A National Action Plan for Disaster Risk Management (NAP-DRM), 2009-2015, was prepared in 2009. A year later, in 2010, a decision was taken to harmonize DRM and climate change adaptation (CCA) in a single planning document reflecting the benefits of joint, coherent planning. The resulting Joint National Action Plan for Disaster Risk Management and Climate Change Adaptation (JNAP)<sup>9</sup>, superseded the NAP-DRM, providing an important mechanism for program coordination and funding alignment of DRM and CCA. The JNAP supports a whole-of-government, all-hazards, coordinated approach, closely aligned to other key national documents, including national sustainable development plans. It covers relevant activities of all line agencies, presenting a list of wide-ranging actions and indicators. EMCI and the Climate Change Cook Islands (CCCI), which are both under the Office of the Prime Minister, are jointly responsible for implementing the JNAP. A second JNAP is currently under development and is scheduled for completion by the end of 2016.

## 3. ADB's Sector Experience and Assistance Program

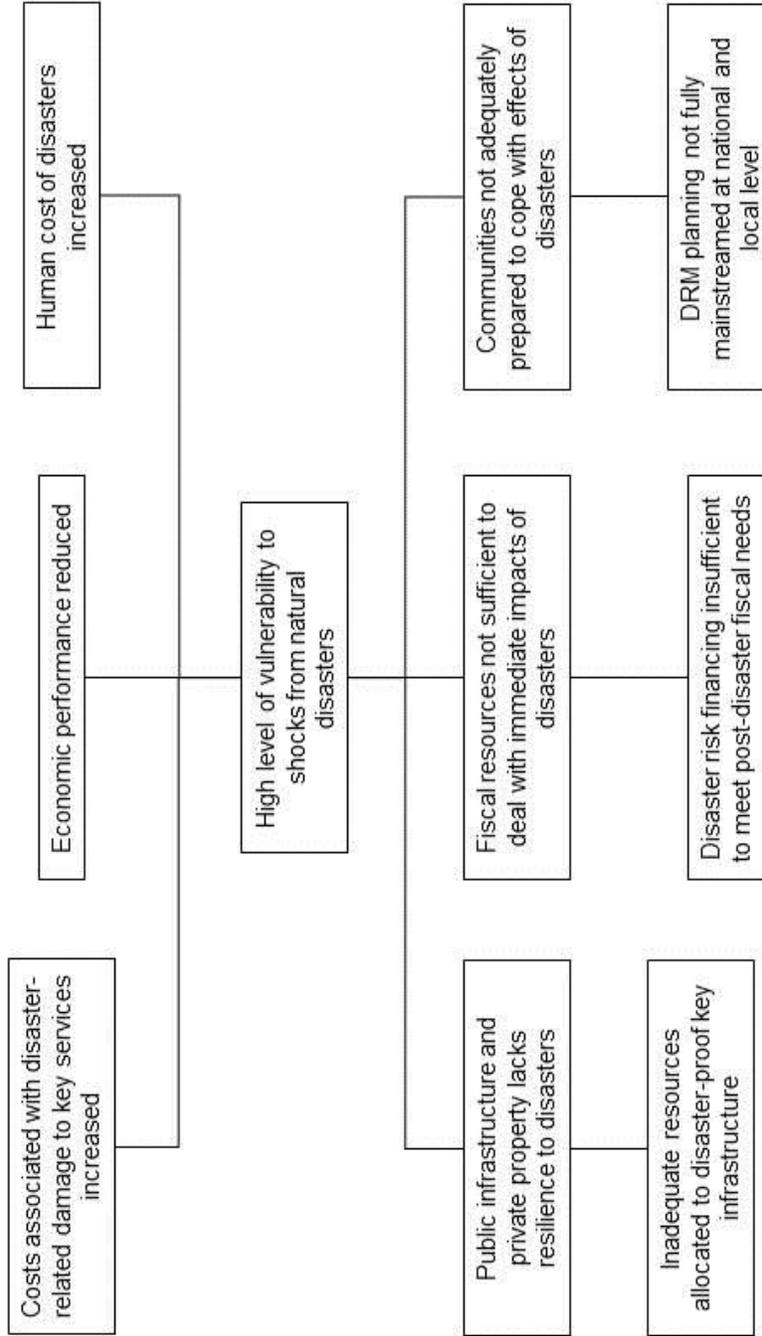
14. Cyclone Martin struck the Northern Group of the Cook Islands on 1 November 1997. A massive wave surge devastated the island of Manihiki, killing nine people. ADB provided an \$0.8 million loan to enable the Government to (i) procure materials and equipment; (ii) transport supplies and personnel to the disaster areas; (iii) undertake necessary civil works; and (iv) assist in the restoration of major productive activities such as pearl farming, fishing, and agriculture. In February and March 2005, the islands were buffeted by five major cyclones with wind speeds above 200 kilometers per hour damage infrastructure, particularly the Avatiu wharf. A \$2.5 million ADF loan was approved in 2005 for the Cyclone Emergency Assistance Project. The loan was used to cover expenditure in the immediate aftermath, including repairs to high-voltage substations and streetlights, and clear debris but most was subsequently used for developing the small boats marina, deepening the harbor, and strengthening the breakwater in Avatiu. After the 2005 cyclone, ADB also provided technical assistance for Strengthening Disaster Management and Mitigation, which supported the development of the 2007 Disaster Risk Management Act, the establishment of EMCI within the office of the Prime Minister, and the integrated preventive infrastructure master plan.

15. The Avatiu wharf was rebuilt with finance from ADB of an \$8.6 million OCR loan and a \$6.9 million ADF loan approved in November 2008. The Avatiu Port Development Project dredged the harbor, and widened the entrance and rebuilt the quay to extend its life to 2040. A further \$4.7 million OCR loan was approved in March 2011 to take account of increases in construction costs and exchange rate fluctuations. In addition, the ADB Climate Change Fund provided a grant of \$0.8 million to finance measures for climate change adaptation.

<sup>8</sup> Government of the Cook Islands. 2016. *Te Kaveinga Nui: National Sustainable Development Plan 2016–2020*. Rarotonga.

<sup>9</sup> Government of the Cook Islands. 2012. *Joint National Adaptation Plan for Disaster Risk Management and Climate Change Adaptation (JNAP) 2011–2015*. Rarotonga.

### Problem Tree for Disaster Risk Management



DRM = disaster risk management