

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
1. Greater economic and fiscal contraction from extended border closure.	Substantial	The government has identified priority ERP measures that would be maintained if the situation worsens. Government has commenced discussions with ADB on future possible policy-based lending, should that be required. Government discussions with New Zealand on contained travel arrangements are well advanced (particularly in the area of public health). ADB is monitoring national efforts and providing advice to support the safe opening of borders.	Government, New Zealand Government, ADB
2. Further shocks from natural hazards, particularly cyclones exacerbate the economic and social impacts of the ongoing COVID-19 crisis.	Substantial	Development partners usually move quickly to mobilize immediate relief. In addition, the government has been actively working to strengthen policy, governance, and institutional arrangements for disaster risk management. ADB is working with the government to replenish the Cook Islands contingent disaster financing before the end of 2020 through a new phase of the Disaster Resilience Program. This will provide quick-disbursing financing in the event of any subsequent disaster or health emergency.	Government, ADB
3. COVID-19 outbreak in the Cook Islands diverts scarce resources from ERP to contain direct health impacts.	High	The government is building the health system's capacity to respond to a potential outbreak, including through preparation of alternative care sites for suspected cases, purchasing ventilators, and COVID-19 testing capacity. Community health centers have been established to monitor social distancing measures, deliver essential medicines and supplies, and monitor vulnerable groups.	Government
4. Institutional capacities for effective governance stretched too thin, as demands for active government response on several fronts exposes fragilities	Moderate	Government has successfully implemented both health and economic measures of the ERP since April 2020, with extensive use of existing systems. Weaknesses in monitoring and evaluation and public health have been an area of development partner support to alleviate pressure on Cook Islands' staff. Technical assistance is planned for ongoing policy and	Government, New Zealand Government, ADB

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		capacity support for MFEM, statistics and future ERP phases.	
5. The government's response to COVID-19 requires larger health expenditures than expected.	Moderate	The Ministry of Health and Medical Services is working with development partners including World Health Organization, UNICEF, Australian DFAT, and New Zealand MFAT to ensure that adequate resources will be available for any needed health expenditures.	Government, Development Partners
6. The amount of revenues received from taxes, duties, and development partners is insufficient to pay required expenditures.	Moderate	MFEM is closely monitoring monthly tax receipts to keep track of revenue targets. The FY2021 budget is currently fully funded, but the key risk is the prolonging of border closures beyond January 2021 as per Risk 1.	Government, Development Partners
7. An insufficient number of trained medical staff are available to respond to COVID-19 cases, resulting in higher than expected mortality.	Moderate	The government has a high ratio of trained medical staff, as well as emergency medical referral options with New Zealand. The government is working with key development partners to ensure that an adequate number of trained medical staff can be brought in country if there are increasing COVID-19 cases.	Government, Development Partners
8. Poor targeting will lead to inefficient use of resources and will expose some vulnerable groups to hardship	Moderate	ADB technical assistance was mobilized to undertake a rapid assessment that helped identify the most vulnerable groups, and the extent of economic and social impacts they will likely face, during the COVID-19 crisis. Formal sector workers and formal and informal businesses are well covered.	Government, Development Partners (including TA support from the ADB)
9. Some of the funding received from development partners is diverted to improper purposes.	Low	The Public Financial Management Act provides robust internal control elements over budget execution. Financial reports outlining budget execution are published monthly.	Government
10. Worsening economic conditions reflected in increased unemployment result in social unrest.	Low	Low and dispersed population provide a buffer against widespread social unrest, which has been shown to be exceedingly rare in the Cook Islands. The police force is well equipped, and the government has guaranteed pay and conditions for all public servants. Cook Islanders can also freely migrate to New Zealand, and have done so in previous economic crises.	Government

ADB = Asian development Bank, AIIB = Asian Infrastructure Investment Bank, COVID-19 = coronavirus disease, DFAT = Department of Foreign Affairs and Trade, ERP = Economic Response Plan, MFAT = Ministry of Foreign Affairs and Trade, MFEM = Ministry of Finance and Economic Management, TA = technical assistance, UNICEF = United Nations Children's Fund, WHO = World Health Organization.

Source: Asian Development Bank.