

**COOK ISLANDS/  
EUROPEAN COMMISSION  
JOINT ANNUAL REPORT  
2003**



## **1. Executive Summary**

Albeit being one of the “new ACP countries” and thus having no experience of EDF rules and procedures, the Cook Islands have shown a very strong commitment for cooperation with the EU. Albeit the small size of its population and economy, it is among the first ACP countries in terms of implementation of the 9<sup>th</sup> EDF. Its small 9<sup>th</sup> EDF NIP, of €2 million (A-envelope), is already fully committed and its implementation started immediately after the financing decision. The NSA have consistently been invited to participate in all major steps of the 9<sup>th</sup> EDF process and are regularly consulted. The programme aims to improve the delivery of social services in the outer islands.

Thus, at the Mid-Term Review (MTR), it is proposed to increase the 9<sup>th</sup> EDF allocation for the Cook Islands and to confirm the strategy initially agreed, i.e. that the full allocation be used to improve the delivery of social services in and for the outer islands.

## **2. The policy agenda of the partner country**

The existing process for national planning is captured in the annual budget process, and is not specifically set in a medium term framework. The current allocation of resources is derived from the Budget Policy Statement. The production of the Budget Policy Statement is done in collaboration between the Office of the Minister of Finance and the Ministry of Finance and Economic Management, with limited participation from the Aid Coordinating Committee, given that donor assistance is a key factor in national planning.

The Budget Policy Statement contains the national development strategies of government including its objectives and priorities. It reflects the political aspirations and philosophies of the government of the day. A major shortcoming of the budget policy statement is the concentration on annual work programs without serious regard to a national medium term strategy including a public sector investment program that should guide the annual budget process.

Despite the lack of long term planning, the current planning process has nonetheless recognised the integration of the three pillars of sustainable development. In the 2002/2003 Budget Policy Statement the main objectives linked economic, social and environment initiatives to sustainable development. These were social cohesion, economic sustainability, good governance, infrastructure development, outer islands development and environmental management. The Budget Policy Statement (BPS) 2003/2004 sought to strengthen the linkages of the national outcomes to the three pillars of sustainable development. This 2003/04 BPS also articulates the Government’s position in recognising the true value of the Cook Islands people and is committed to ‘creating a conducive and healthy socio-economic environment by supporting the needs and promoting the aspirations of our people’. This commitment will be based on the values of integrity, fairness, and hard work through good governance. It is committed to strengthening and building on the partnership with the private sector and community that make up civil society by creating an environment to enhance confidence, unity and stability. The present Government was formed in February 2002.

Government recognises the need to develop policies to address the migration and the related skilled labour shortage problems. In the short term it is a legitimate policy to use foreign workers on short term contracts to support the demand for workers. The long-term solution is to replace

these short term contracts with appropriately trained nationals. Capacity building, skills upgrading and vocational training is encouraged to enhance employment opportunities for all.

Within this framework, Government is committed to *'building a sustainable future'* to meet our economic and social needs without compromising our environment, culture and traditions to advocate national pride and identity.

### **3. Update on the political, economic and social situation**

A review of the economy over the past two decades shows strong growth and development. The Cook Islands economy has experienced long-term real growth of 3.7% annually over this period with a near doubling in gross domestic product since the early eighties. A particular period deserving mention over this twenty-year period is the economic reform in the mid nineties 1995 – 1998 where the economy contracted slightly. There has been significant growth in the post reform period with the economy shifting from government dominated to private sector led. This growth is expected to slow in the medium term. Over the projection period 2003/2004 to 2005/2006, the economy is expected to grow at a real average rate of 2.8% annually. The forecasts are affected by a 3.8% growth in tourist arrivals.

#### **Health**

The geographic remoteness of the Cook Islands make the delivery of health services to the outer islands difficult and expensive and the increasing expectations of the quality of service delivery by the population has added pressure on the health service. In spite of this Cook Islanders have one of the highest life expectancies in the Pacific of 72 years, low infant mortality, a population access to safe water of 92%, immunisation coverage of 95% and a contraceptive prevalence rate between 46 – 53%.

Acute Respiratory Infections (ARI's) such as the common cold and laryngitis are highly contagious and tend to be airborne. They made up 72% of reported cases of selected noticeable diseases during the period July 2002 – June 2003. ARI's show a decreasing trend over the quarters in this fiscal year, but statistics show that from 1999 to 2002/2003, reported cases of ARI's have increased significantly, by 134%.

Differences in the health status by gender is not pronounced, however there are some variations in the rates of non-communicable diseases between men and women. In the outer islands there is no identifiable significant pattern, due to the small numbers of patients diagnosed. Diabetes is evident to a similar degree between men and women, but a larger number is accounted with women due to their greater life expectancy.

The government's appropriation for Health is NZ\$8,086,000 ( $\pm$  € 4,370,810) or 13% of the total Budget for 2003/04 of NZ\$60,306,334 ( $\pm$  € 32,598,000).

## **Education**

There are currently thirty-three schools in operation in the Cook Islands. In 2002 there were 4,668 children enrolled. Enrolments have dropped in all regions since 1996, most noticeably in all outer islands, in particular on the island of Aitutaki. Enrollments have dropped by 33% in the Southern group and 22% in the Northern Group compared to a drop of only 4% on Rarotonga. This reflects the population trends of recent years.

At most levels up to 5th form male enrolment is slightly higher than female. However at 5th form and above female students outnumber male students. This would indicate a higher drop out rate of boys than girls throughout their schooling careers.

In the past the education department used the New Zealand School Certificate (NZSC) system to measure the scholastic achievement at the secondary school level. This was changed in 2002, with the introduction of the new National Certificate of Educational Achievement (NCEA) system and therefore at present there are not yet any comparative statistics.

At the primary level, the Standardised Test of Achievement Cook Islands (STACI) that was previously used by the ministry to gauge performance was phased out four years ago. In its place a diagnostic system has been introduced, which evaluates progress in three main areas, those being Maori, English and mathematics at grade four. On the whole there has been a general improvement over time in all subjects except for last year's dip in Maori and English results.

There are currently 290 teachers teaching in schools in the Cook Islands. The average student teacher ratio was 16:1 for 2002. Within the teaching staff men are outnumbered with 29% of teachers being male and 71% female. The largest age group in the teaching force is the 55-59 age group. This illustrates a possible problem related to an aging teaching force. The Ministry of Education through the Teachers Training College has maintained a sustained effort to recruit and up skill the teaching force. In the Ministry of Education, 20% of teaching staff have a degree, 64% have some other form of teaching qualification, and 14% remain uncertified.

Government commitment to quality education service and delivery is demonstrated in expenditure on education, the focus of EU funding on education and the provision within the budget for increased funding to all schools including the private schools. The appropriation for Education is NZ\$8,383,277 ( $\pm$  € 4,531,500) or 14% of the total Budget for 2003/04 of NZ\$60,306,334 ( $\pm$  € 32,598,000).

The establishment of the Department for Human Resource to address post secondary training and provision of distance learning to the outer islands reiterates this commitment.

## **Non State Actors**

The Cook Islands has a wide range of NSAs involved in and contributing to a broad range of activities covering the entire community. It has a strong Chamber of Commerce representing the interests of businesses on the islands of Rarotonga and Aitutaki and the wider business community in the Cook Islands.

Government commitment to strengthening and building on the partnership with the private sector and the community is demonstrated in its recognition of the Chamber of Commerce as a

“strategic partner” in creating jobs, income, wealth and security of livelihood. This is further supported by government withdrawal from activities in competition with the private sector and budgetary support of NSAs initiatives in social and community activities.

NSAs, in particular the Chamber of Commerce has contributed significantly to the development of national economic and social development initiatives particularly in the development and the formulation of the economic reform package in 1995/96 and the three consultative group meetings in 1996 and 2001.

While relations between NSAs and government are usually cordial, the recent perceived threat of a reversal of the reforms positioned during the reform years has created strains to that relationship. This has led to a renewed and energetic interest in policy formulation by the Chamber of Commerce and the development of a new pressure group focused on political issues and reform. NSAs participation and contribution to policy formulation on a regular basis is hampered by shortcomings in their management structure and human resources and the absence of a formal relationship between them and government. The establishment of CIANGO has supported the need for NSAs to work together as a unified group with common goals and aspirations.

#### **4. Overview of on-going cooperation**

The Cook Islands joined the ACP group of countries only under the 9<sup>th</sup> EDF. The country was the first one to ratify the Cotonou Agreement and was very active in preparing the 9<sup>th</sup> EDF Country Support Paper (CSP), which was signed in Rarotonga in April 2003 and has Outer Island Development as its single focal sector.

##### **4.1. 9<sup>th</sup> EDF Focal sector – Outer Island Development**

The CSP foresees an allocation of €2 million under the A-envelope and €0.6 million under the B-envelope. The NIP identifies Outer Island Development as the single focal sector, absorbing 100% of the A-envelope. This includes the NSA, which will benefit from 15% of the NIP.

##### **a) Results**

During the period October to December 2003 substantial progress was achieved:

- The CSP and NIP were signed, as referred above
- The Outer Island Development programme, comprising 100% of the A-envelope was approved and signed in August, in the margins of the Auckland Forum Summit. It had been among the first batch of 9<sup>th</sup> EDF projects to be submitted to the EDF Committee, in May.
- The first annual work programme and cost estimate was approved and implementation began in October.

## **b) Progress in activities**

### **• Administration – National Coordinator**

By the end of the year the programme manager (Technical Assistant) had been selected. The Delegation and the Desk Officer in DG DEV participated in the short-listing of applicants and interviewed the three short-listed candidates. Both corroborated the DNAO's preference for Ms Teresa Manarangi-Trott, with the company Pacific Communications Limited (PCL), and recruitment is expected to follow immediately. At 31 December no funds had been expended in this area.

The programme aims to support the government's efforts in improving the delivery of social services in and for the outer islands, focusing in particular on Education and Health. The NSA allocation follows the same focus.

### **• Health**

Dental and office equipment for the Ministry of Health outer island clinics have been purchased in the last quarter with delivery nearing completion. Works orders are being processed to procure hospital equipment and clarification of acceptable suppliers is being sought.

### **• Education**

Although funding was received only in late October, steady progress has been made. Tenders for school computers and furniture are being launched. All computers and school furniture are to be dispatched to the Outer Islands no later than June 2004.

The Department for Human Resources Development has already spent most of its initial allocation, for the purchase of building materials. The Department's students used these to build a workshop to house the carpentry and electricity courses and a computer lab. The building of the workshop was in itself part of a course on building techniques and materials, for which the teacher was provided by the Polytechnic Institute of New Zealand, as part of their twinning arrangements and certification programme. The building will be finished by the next batch of students. Most students come from the outer islands, to which they return upon completion of the course.

## **4.2. Utilisation of resources for non-State actors (NSA)**

All funding currently available for the NSA comes under the Outer Island Development programme. The Aid Management Division (AMD) of the Ministry of Finance and Economic Management (MFEM) undertakes the management of these funds. CIANGO is responsible for the organizing and arranging and dispatching of goods to recipients of the projects with all invoices forwarded to AMD for payment. In the NSA component, one of the subcomponents has already been completed: the provision of a van for Are Pa Ta'unga, the mental health center.

## **4.3. Utilisation of the envelope-B**

The Cook Islands, like all the other Pacific Island countries, is very vulnerable to a number of natural disasters, in particular cyclones and tidal waves. Several cyclones occur each year in the region and given the expanse covered by the two main groups of the Cook Islands there is a high probability of some of them being hit. For these reasons it was agreed to use the €0.6 million

under the envelope-B primarily for the purposes of emergency and/or reconstruction, in case of natural disasters. Should no such needs occur until the last year of implementation of the Outer Island Development programme (2005/2006), and if implementation of this programme is going well, the envelope-B will be used to complement the programme's €2 million allocation.

#### **4.4. Other instruments**

##### **4.4.1. European Investment Bank**

The European Investment Bank provides finance and assistance to ACP countries under the Cotonou Agreement. Ongoing discussions and contacts have been held between the Cook Islands Embassy in Brussels, institutions in the Cook Islands and the EIB. A number of visits have been undertaken by the Cook Islands Ambassador to the EC and Cook Island Ministers to the EIB offices in Luxembourg. The EIB has also visited the Cook Islands on three occasions during the past 12 months. EIB projects in the Cook Islands can be summarised as follows:

##### **Rarotonga Airport Development**

The Airport Authority has submitted a request to the EIB for a loan facility of NZ\$20 million for the extension of the Rarotonga airport runway. The EIB have positively assessed this request and are currently considering financing. A visit by EIB officials to Rarotonga has resulted in a feasibility and technical study being undertaken. The EIB is currently assessing the results of this study and a decision on this application is pending

##### **Private sector Loan Facilities**

The EIB has entered into discussions with the BCI and other commercial banks in the Cook Islands to provide a global loan facility for investment in Cook Islands businesses. Following a subsequent visit to Rarotonga, agreement has been reached between the EIB and BCI to provide a global loan of approximately NZ\$6 million for onward lending to Cook Islands private sector. The EIB are currently awaiting the outcome of administrative changes being implemented by BCI before signature of this facility.

##### **Fisheries Sector**

Tentative discussions have taken place in Luxembourg between the Cook Island Minister responsible for Fisheries and the EIB on possible support for the Cook Islands Fisheries Sector.

##### **4.4.2. Centre for the Development of the Enterprise (CDE)**

Major activity for 2003 included the following:

Projects approved were:

- Atiu Tourism Society Inc; funding assistance to attend International Tourism Exchange 2004 Berlin, Stockholm and five cities in Eastern Europe - Marketing financial proposal approved.
- Reef Fish Catch proposal

Projects deferred were:

- Comprehensive Pearl Industry Review completed by Mr Jean Paul Viguie Maui Pearls Proposal for Pearl Jewellery training deferred until completion of the Pearl sector Review above.
- Island Shipping Automated Barges feasibility grant assistance deferred due to budget constraints

- Development Investment Board funding request to attend The Paris Trade Fair to be held this year from April 29 to May as well as providing an opportunity for marketing particularly the pearl industry sector. Authorization deferred until additional information received from the Development Investment Board
- Seminar on Value Added Agriculture Companies nominated were  
Cook Islands Noni Marketing Ltd - Teava Iro Junior,  
Pawpaw Products Ltd - Hugh Bake,  
Sunline Noni Limited - Taura  
Tukaroa & Noni Limited - Richard Browne.

Projects declined included:

- Ora Moana Ltd proposal for assistance with marketing of pearls overseas.
- Cook Islands Chamber of Commerce proposal for funding an Executive Director
- Cargo/ Passenger Sailing Ship proposal - CDE unable to consider due to promoters weak financial status.

The creation of a Data-base/Register for ACP Consultants- Consultants submitted were Arama & Associates, Pacific Consultants Ltd, Pacific Communications Ltd, Miro Consultants Ltd, Tropicana Ltd, Colin Brown, George Turia, Teariki Rongo

#### **4.4.3. Regional Cooperation**

##### **4.4.3.1. 9<sup>th</sup> EDF**

The regional allocation amounts to €29 million and includes three focal sectors “Economic Integration and Trade” (€9 million), “Human Resources Development” (€8 million) and “Fisheries” (€5 million) and a non-focal sector, for extension of the 8<sup>th</sup> EDF programmes to the 6 new ACP countries (€7 million). The RSP was signed in 2002 by Commissioner Nielson, during his first visit to the Pacific.

- “Regional Economic Integration Programme” (REIP) - €9.2 million

The programme aims to assist the region in strengthening its capacity to implement PICTA (free trade area among the Pacific island countries), negotiate trade agreements with developed partners (eg. EPA), participate in multilateral trade negotiations (WTO) and assist the private sector in addressing supply-side constraints.

The EDF approved the programme in its November meeting and at the end of the year the Financing Agreement had been finalised. The RAO and the Commissioner during his visit to Fiji in February 2004 will officially sign it, together with the Contribution Agreement. Disbursements will start immediately after. This schedule matches last year’s forecasts, which had indicated early 2004 for start of implementation.

- “Human Resources Development” (HRD) – PRIDE programme - €8 million

The objective of the programme is two-pronged: to assist Pacific island countries (PICs) in developing a sector-wide strategy for Education and subsequently to finance the implementation of some parts of that strategy. Most PICs have identified Education as a focal sector in their NIP and a number of other donors are very active in the sector in all of them. Therefore the parts of the strategies that have a more national character will be implemented with national funding



(both governments' own resources and donors') and those that have the capacity to be shared by the region can be selected for funding by this programme. The programme is implemented by the Institute of Education of the University of the South Pacific.

The financing proposal was finalised during 2003 and approved by the EDF Committee in September. Both the Financing Agreement and Contribution Agreement were signed in Suva in November.

A very positive development occurred during 2003: at the invitation of the Pacific Island Countries, led by Samoa, and with the consent of the Commission, NZAid agreed to provide funding for PRIDE, to the tune of NZD5 million for three years, with the possibility of additional funding after that. This allowed USP to proceed with the recruitment of the project management team during the second half of 2003. At the end of the year all but one element of the team have been selected and all have either ACP or EU nationality. USP is also finalizing works in the PRIDE office building. The team will start working in February 2004.

Implementation of this programme went faster than expected: we had forecasted implementation to start early 2004, but at the end of 2003 almost all the team has already been selected and works in the office are almost completed.

- "Fisheries" - €5 million

This section will be composed of two projects:

- a) Extension of PROCFISH to the 6 new ACPs - €1.997 million

The complementary financing proposal was approved. The Financing Agreement will be signed in February 2004, during Commissioner Nielson's visit to Fiji, for immediate implementation (cf. 8<sup>th</sup> EDF, below, for further details on PROCFISH).

- b) DEV FISH, a project to be managed by the Forum Fisheries Agency (FFA) in collaboration with the Secretariat of the Pacific Community (SPC) - €3 million

The objective of the project is to increase the benefits received by PICs from sustainable use of marine resources, by increasing the capacity of PICs to directly participate in the tuna fishing and processing industry, and reinforcing national and regional policies and strategies for the sector.

The financing proposal is being finalised by headquarters in view of a decision by mid-2004. Implementation should start immediately after.

- Non-focal sector - €7 million

The non-focal sector is composed of extensions for the new 6 ACP countries and the Palau Festival of Arts:

- a) All extensions refer to the participation of the 6 new ACP countries (Cook Islands, Federated States of Micronesia, Nauru, Niue, Palau and the Republic of the Marshall Islands), which cannot benefit from 8<sup>th</sup> EDF funding, in projects recently approved and financed under the 8<sup>th</sup> EDF. Three extension proposals were approved during 2003 and one other is being finalised, as per the table below.

PROJECT	EURO Millions	EDF SOURCE	STATUS
SPC/DSAP ext.	1.981	9th NF	Approved. FA to be signed by Com. Nielson in Feb 2004
SPC/PPP ext.	1.512	9th NF	Approved. FA to be signed by Com. Nielson in Feb 2004
SOPAC ext.	2.55	9th NF	Approved. FA to be signed during the first quarter of 2004
SPREP/PIEN ext.	0.56	9th NF	being finalised by HQ in view of a decision by mid-2004

b) The **Palau Festival of Arts** is a co-financing with the Pacific OCT: € 330.000 from the 9<sup>th</sup> EDF RIP (including balances of previous EDFs, transferred into the 9<sup>th</sup>) and € 250.000 from the OCTs. The RIP part will finance the purchase of sound and light equipment, its installation and training of Festival staff for its operation. The OCT part will finance lodging, local transport and catering for the participants from the French Pacific territories. The Festival will take place in Palau in July 2004 and the organisation wanted to start tendering for the sound and light equipment in November 2003.

The financing proposal was presented to the Delegation in May 2003 and, after further processing, to AIDCO at the end of the same month. Staff rotations in headquarters and the usual difficulties in coordinating funding from different sources resulted in serious delays. Approval is expected at the end of the first quarter of 2004.

The Delegation is seriously worried about meeting the deadlines for this project, given that it refers to a public event with dates fixed years in advance.

#### **4.4.3.2. 8<sup>th</sup> EDF and balances of previous EDFs**

At the end of 2003 all 8<sup>th</sup> EDF and most balances of previous EDFs are committed. The second phase of the TA to the RAO project (€1.3 million), financed from 6<sup>th</sup> and 7<sup>th</sup> EDF balances, starts implementation on January 1<sup>st</sup> 2004, the day after the previous team ends its contract. The 8<sup>th</sup> EDF is advancing according to schedule, a table providing information on each project's progress in annexed.

A total of €461.779,83, from previous EDFs, was added to the 9<sup>th</sup> EDF allocation. Once all the projects identified above have been approved only €330.000 will remain uncommitted. This will be used for any necessary studies, in particular in view of preparing financing proposals to substantiate the RAO's intention to request additional funding during the mid-term review of the 9<sup>th</sup> EDF.

## **5. Programming perspectives for the following years**

### **5.1. Integration of new EC/EU policy initiatives and commitments**

The Commission is currently negotiating with the Cook Islands' authorities in view of establishing a Fisheries agreement with the EU. Fisheries, tourism, trade and disaster

preparedness are areas of particular relevance in the context of the Cook Islands-EU cooperation. All receive support under the 8<sup>th</sup> and 9<sup>th</sup> EDF regional programme referred above.

Of relevance is also the link between the NIP and the HRD programme under the 9<sup>th</sup> EDF PRIP. It is expected that the Cook Islands will benefit from the regional programme to strengthen its Education planning capacity and strategy for the sector. The country will also benefit from regional funding for implementation of some aspects of the strategy and, most importantly, it will benefit from the building of a pool of knowledge on Pacific Education reforms, allowing for the sharing of good practices and for learning from other countries' experiences.

## **5.2. Review and adaptation of the CSP**

Albeit being one of the “new ACP countries” and thus having no experience of EDF rules and procedures, the Cook Islands have shown a very strong commitment for cooperation with the EU. Albeit the small size of its population and economy, it is among those in the region with most active contacts with the CDE and EIB. The seriousness of the country's commitment to Cotonou was further confirmed by the fact that it was the first to ratify the Cotonou Agreement and among the first batch of 9<sup>th</sup> EDF financing proposals. The NSA were consistently invited to participate in all major steps of the 9<sup>th</sup> EDF process and are regularly consulted.

The full amount of the 9<sup>th</sup> EDF has been approved, implementation is going at good pace and all funds should be exhausted in 2006. The programme was initially foreseen to be operational until end 2007, but given the fast rate of implementation it is likely that all funds will be fully committed by 2005 and fully paid by mid-2006. Should an additional allocation be approved in the context of the MTR, the programme could be extended along the initial forecast, until the 2007-2008 budget-year (the Cook Islands national budget covers the period July-June). All indicators have been calculated to be measured by end 2007 (cf. Annex 1).

The financial crisis the country went through in the mid-1990s had its strongest impact on the outer islands populations. Although Rarotonga has fully recovered, the isolation of the outer islands makes their recovery particularly difficult. There is thus a need for continued assistance to these populations, a matter that is at the top of the government's priority agenda and this is shared by the opposition. Both the government agencies and the NSA have proven their capacity to manage EDF funds. The country has absorptive capacity to manage an increase in the current levels of EDF assistance and the implementation mechanism in place under the Outer Islands Development programme allows for expansion. Information on donor assistance to the Cook Islands for the period 2003/04 is provided as Annex 4.

Thus, at the Mid-Term Review (MTR), it is proposed to increase the 9<sup>th</sup> EDF allocation for the Cook Islands and to confirm the strategy initially agreed, i.e. that the full allocation be used to improve the delivery of social services in and for the outer islands. Should this proposal be accepted, the Outer Islands Development programme will be amended to accommodate the increased allocation. No other changes in the programme are foreseen at this stage: it would continue to abide by the same objectives and purpose and would maintain the 15% allocation to the NSA.

## **Conclusions of the joint annual report**

Dialogue with the NAO (who is the Prime Minister) and other national authorities proceeds constructively, focusing both on political and sectoral issues (education, health, fisheries) and development cooperation matters.

The country has managed to stabilise the financial situation and has over the last years been successful in balancing the national budget, which, in addition to the allocation for debt payment, includes a contingency fund of NZ\$1 million.

The Government of the Cook Islands has stated that the removal of the Cook Islands from the Financial Action Task Force's (FATF) listing of the Cook Islands as a non-cooperative country is of the highest priority and its objective is, to achieve removal at the FATF plenary in June 2004. During 2003 the Government of the Cook Islands gave high priority to enacting legislation updating anti-money laundering laws. Acts passed by Parliament included a Financial Supervisory Commission Act; a new Banking Act; a Financial Transactions Reporting Act, Mutual Assistance in Criminal Matters Act, Proceeds of Crime Act, Crimes Amendment Act, Criminal Procedure Amendment Act and a new Extradition Act. Financial monitoring and reporting systems were substantially updated by the enactment of a new Banking Act and by legislation establishing a Financial Supervisory Commission and a Financial Intelligence Unit. The Financial Supervisory Commission has prepared Prudential guidelines for banks and other financial institutions which are to come into effect in February 2004, as will a number of regulations, promulgated under the Financial Transactions Reporting Act regarding customer identification, record keeping, etc. Having established a new legislative and regulatory scheme, the priority during 2004 will be to continue the process and upgrading regulatory and monitoring systems.

In 2001, the Cook Islands Government also made commitments to the OECD with respect to transparency and effective exchange of information in the case of both criminal and civil tax matters. Those commitments ensured that the Country was not listed as being non-cooperative in respect of the OECD "Harmful Tax Competition Initiative".

Although governments have changed frequently in the past years, this seems not to have had serious consequences in socio-economic terms, including for local and foreign investment. Both sides of Parliament support the 9<sup>th</sup> EDF strategy focus on Outer Islands Development and thus no policy changes should affect the implementation of the 9<sup>th</sup> EDF programme.

Involvement of the NSA in the 9<sup>th</sup> EDF has been very satisfactory. A wide representation of NSA has systematically been consulted on all major aspects referring to programming and programme design, and they are direct beneficiaries of the programme.

## **Annex 1 - Intervention framework - Indicator data and targets (9<sup>th</sup> EDF)**

The Outer Islands Development programme has two types of indicators:

- **impact indicators** (long-term) based on the objectives of the Cook Islands sector strategies for education and health. They shall be measured at the end of the programme as part of the final evaluation.

For **education**, 3 impact indicators have been identified. For all the source of verification will be MoE statistics (collected annually):

**1. Improve student retention rate (less drop-outs) in outer islands**

In the last three years the annual average drop-out rate (forms 1-7) is 52 %, with big differences between the more remote Northern (64%) and Southern groups (42%). By end 2007 improvements due to education sector reforms, to which this programme contributes, should bring the national average down to 40%. MoE aims to bring this to 25% in the longer run.

**2. Less positions unfilled by qualified teachers in outer islands**

Presently there are 10 unfilled out of a total 130 positions. The aim is to bring this number down to 5 by end 2007.

**3. Improved achievement rates at the end of primary school in outer islands**

The 2001 raw mean scores are, for the Northern group: Maori 42%, English 41% and Math's 35% and for the Southern group respectively 45%, 38% and 31%. The aim for end 2007 is respectively 48%, 48%, 43% for the Northern group and 53%, 50%, 48% for the Southern group.

For **health**, also 3 impact indicators have been identified. For all the source of verification will be MoH statistics (collected on a regular basis and compiled annually):

**1. Greater accessibility to quality health service in the outer islands, including dental and public health – the present coverage is 80% and MoH's aim is to attain 90% by end 2007.**

**2. Less cases needing a referral to Rarotonga – the present average is 110 cases yearly and the aim is to bring this down to 80 cases yearly by end 2007.**

**3. Lower crude death rate due to lifestyle diseases - the present average is 5 to 6 cases per 1000 yearly and the aim is to bring this down to 3 to 4 cases per 1000 end 2007.**

- **short-term indicators**, will be identified annually as part of the AWP and will stem directly from the activities identified (e.g. so many schools refurbished, so many houses for education/health staff built, etc.)

**Annex 2 - Chronogramme of activities (9<sup>th</sup> EDF)**

<b>Title</b>	<b>Amount (in € million)</b>
Outer Islands Development programme (including support to NSA)	2.000
<b>Total</b>	<b>2.000</b>

The programme was approved in 2003 and has started implementation.

**Annex 3 – 9<sup>th</sup> EDF indicative timetable for commitments and disbursements (in € million)**

<b>Outer Islands Development programme (inc. NSA)</b>	<i>2003 (actual)</i>	<b>2004 (estimate)</b>	<b>2005 (estimate)</b>	<b>2006 (estimate)</b>
Commitments (in € million)	<i>0.5 (3<sup>rd</sup> quarter)</i>	1 (3 <sup>rd</sup> quarter)	0.5 (3 <sup>rd</sup> quarter)	
Disbursements (in € million)	<i>0.25 (3<sup>rd</sup> quarter)</i>	0.75 (by 4 <sup>th</sup> quarter)	0.75 (by 4 <sup>th</sup> quarter)	0.25 (by 2 <sup>nd</sup> quarter)
<b>Total payments (cumulative)</b>	<b>0.25</b>	<b>1</b>	<b>1.75</b>	<b>2</b>

The programme was initially foreseen to last until 2007, but given the fast rate of implementation it is now likely that all funds will be exhausted by 2005 in terms of commitments and 2006 in terms of payments. Should an additional allocation be approved in the context of the MTR the programme could be extended along the initial forecast, until the 2007-2008 budget-year (the Cook Islands national budget covers the period July-June). All indicators have been calculated to be measured by end 2007.

**Annex 4**

**AID DONOR MATRIX**

	Education	HRD	Health	OWS	OMIA	Int Affairs	Tourism	SBEC	Pvte Sector	MFAI	PSU	Environ	Culture
<b>New Zealand</b>													
Education	1,820,000												
Health			246,316										
Internal Affairs						99,424							
OMIA					1,200,000								
HRD		2,484,260											
Tourism							150,000						
SBEC								150,000					
Private Sector									50,000				
<b>Australia</b>													
OWS				782,937									
HRD		431,965											
MFAI										323,974			
PSU											80,994		
<b>Britain</b>													
Education	10,000												
OWS				18,000									
<b>Canada</b>													
Private Sector									100,000				
<b>UNDP</b>												157,351	
Environment (NBSAP)												160,482	
Environment (Int Waters)												39,142	
Environment (NCSA)													
<b>UNESCO</b>													
Culture													31,314
Education	46,970												
<b>WHO</b>													
Health			333,490										
<b>SPREP</b>												156,568	
Environment													
<b>SPC</b>													
Health			12,000										
<b>UNFPA</b>													
Health			7,000										
<b>UNICEF</b>													
Internal Affairs						5,000							
<b>UNEP</b>													
Environment (Biosafety)												143,260	
<b>Totals</b>	<b>1,876,970</b>	<b>2,916,225</b>	<b>598,806</b>	<b>800,937</b>	<b>1,200,000</b>	<b>104,424</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>323,974</b>	<b>80,994</b>	<b>656,803</b>	<b>31,314</b>