

**COOK ISLANDS JOINT COUNTRY  
STRATEGY  
2008 – 2017**

**Cook Islands Government**

**New Zealand Agency for International  
Development**

**Australian Agency for International  
Development**

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## ACRONYMS

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BTIB	Business Trade Investment Board
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
EEZ	Exclusive Economic Zone
CIGov	Government of Cook Islands
CIMRIS	Cook Islands Marine Resources Institutional Strengthening project
CSO	Civil Society Organisations
GDP	Gross Domestic Product
GNP	Gross National Product
HLTs	High Level Talks
HIES	Household Income and Expenditure Surveys
ISP	Institutional Strengthening Project
JCS	Joint Country Strategy
MDGs	Millennium Development Goals
MEA	Multilateral Environmental Agencies
MSV	Medical Specialists Visits programme
NGO	Non Government Organisation
NSDP	National Sustainable Development Plan
NZAID	New Zealand Agency for International Development
ODA	Overseas Development Assistance
PICs	Pacific Island Countries (PICs)
PIMP	Preventative Infrastructure Master Plan
PPP	Public Private Partnership
TKN	Te Kaveinga Nui
UN	United Nations
VAT	Value Added Tax

## **EXECUTIVE SUMMARY**

The Cook Islands Joint Country Strategy (JCS) has been prepared by the Government of the Cook Islands and the International Development Agencies of New Zealand and Australia. It supports the National Development Strategy of the Cook Islands Te Kaveinga Nui (TKN) 2020 vision and the National Sustainable Development Plan (NSDP) 2007-2010. The JCS provides the guiding framework for development and delivery of New Zealand and Australian aid to Cook Islands. The JCS seeks to enhance aid effectiveness by strengthening partnerships between the three governments and maximising the benefits of harmonisation.

The Cook Islands has achieved development progress with economic growth, low inflation and human development indicators amongst the highest in the region. Recent years however have seen a more variable result with some reduction in growth and a rise in inflation. Economic growth prospects are favorable relative to other Pacific Island Countries (PICs) assisted by the Cook Islands Government (CIGov) commitment to macroeconomic stability and reform. Key challenges include building up the narrow export base (mainly fish, pearls and tourism), providing income generation and employment opportunities, migration and reducing vulnerability to external economic shocks and natural disasters.

The goal for the JCS is to:

**Contribute to a sustainable future that meets the economic and social needs of the Cook Islands, particularly in the Outer Islands.**

This strategic goal reflects support to the Cook Islands' own outcomes set out in 'Te Kaveinga Nui – Living the Cook Islands Vision, a 2020 Challenge' and 'National Sustainable Development Plan 2007-2010'.

The two overarching themes of the JCS are Increased Resilience and Reduced Vulnerability. These themes arise from the vulnerability of the Cook Islands as a Small Island Developing state (SIDS) to economic and natural shocks despite currently high economic and social indicators, and priorities of the NZAID and AusAID Pacific Strategies. These themes determine the approach of the strategy in relation to priority areas and objectives of the JCS

### **Priority Area One – Investing in People**

To support the delivery of quality education, health and social services so that people can contribute to/participate in development through:

- Strengthening the health services on all islands
- Implementing policy to enable NGOs and community based agencies to support delivery of health, education and social services
- Strengthening a well coordinated and integrated education sector
- Enhanced post secondary training opportunities to meet governance and economic needs
- All outer Island children achieve equal access to educational services as Rarotonga

### **Priority Area Two - Good Governance**

Strengthening public sector and civil society governance and service delivery through:

- Improving the Parliamentary, whole of government and private sector compliance with the principles of good governance
- Enhanced CIGov policy planning and develop a results focused M&E system for NSDP
- Central agency strengthening and implementation of a Public Service Development Strategy through technical assistance and capacity building
- Supporting implementation of Police Review recommendations and updating CIs legislation

### **Priority Area Three - Sustainable Livelihoods and Economic Growth**

Assist in promoting sustainable livelihoods and an innovative and well-managed private-sector-led economy through:

- Creating an enabling environment for economic growth based on NZAID Growth and Livelihoods policy
- Strengthen Cook Islands Marine Resources Strategy and promote sustainable development of natural resources
- Increased income and employment opportunities for outer islands

### **Priority Area Four – Infrastructure**

Provide sound infrastructure that will support sustained growth and Outer Island development through:

- Support for an infrastructure governance framework, involving the institutional arrangements and capacities, policies, including cost recovery, and procedures
- Develop and implement a water management plan to cover supply and demand of water for each island, ensuring universal access to safe drinking water
- Strengthened infrastructure for broad based growth in all islands in line with Cook Islands economic and social priorities

Strategies to achieve JCS objectives will include:

- Taking a coordinated and complementary approach to supporting Cook Islands national development and sector-based planning priorities.
- Harmonising aid strategies, management and activities with Cook Islands development plans and management systems to enhance aid impact and accountability and to strengthen Cook Islands ownership and management.
- Utilising more innovative and responsive aid delivery systems.
- Strengthening partnerships and policy coherence between partners and other donors.
- Facilitating linkages with regional approaches and activities.

## 1. BACKGROUND

The three partners to the joint country agreed at high level talks in April 2005 to develop the 2008-2017 NZAID/AusAID Cook Islands Country Strategy. It was also agreed that the new Joint Country Strategy (JCS) was to be consistent with the Cook Islands National Vision Statement Te Kaveinga Nui (TKN) and the National Sustainable Development Plan 2007 – 2010 (NSDP). This decision was based on:

- All partners' strong commitment to aid coordination and harmonisation
- An understanding that harmonisation of development assistance strategies, management and activities could enhance development impact and accountability and strengthen Cook Islands ownership and management of development cooperation
- Similarities in the strategic directions of the New Zealand and Australian aid programmes

A set of harmonisation principles agreed early in the JCS process have strongly influenced its development. A range of analyses and policy frameworks guides the JCS, which includes:

- The *Te Kaveinga Nui 2020* and *NSDP 2007-10*
- The Review of the *NZAID Country Strategy 2001-07*
- Cook Islands Budget Policy Statements (1999 – 2007)
- ADB-funded Cook Islands *Preventive Infrastructure Master Plan* and the *Pacific Islands Economic Report (PIER 2006)*
- A *NZAID Situation Analysis Report* of development in the Cook Islands (2007)
- Australian Government policy frameworks including the *Pacific Regional Strategy 2004-09* and the Australian Government *White Paper* (2006)
- NZAID's policy frameworks including, *Towards a Just and Safe World Free of Poverty*, the draft *Pacific Strategy* and policies completed on human rights, education and health.
- Recent Small Island Developing State (SIDS) literature

## 2 THE DEVELOPMENT CONTEXT AND CHALLENGES

Prime Minister Hon. Jim Marurai set the scene for the country's development challenges in a message in the Cook Islands' 2005 Millennium Development Goals National Report:

*“One of the greatest challenges we face, as a people and as a Government, is the navigation of our national priorities between a narrow-based economy fraught with vulnerabilities, and the need for a more equitable sharing of resources and opportunities for those of us who are disadvantaged by isolation and limited capacity.”*

The Cook Islands has a high level of development by Pacific standards,<sup>1</sup> but still faces considerable development challenges. Chief among these are high rates of external migration and high level of vulnerability to external shocks and natural disasters. The country is vulnerable to rising energy costs and the long-term effects of climate change.

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<sup>1</sup> NZAID Situation Analysis Report 2007

Global security and trading frameworks are making more complex the already-challenging task of overcoming geographic isolation.

The geographic isolation of many Pacific islands is particularly extreme for some communities in the Cook Islands. The nation is widely dispersed over fifteen islands within an Exclusive Economic Zone (EEZ) of nearly two million square kilometres. It is more than 200km from the main island of Rarotonga to its closest neighbour, Mangaia, and over 1,000km to far away Penrhyn.<sup>2</sup> The remote northern islands are coral atolls and sand cays with limited economic opportunities and costly delivery of social services and infrastructure. Aside from Rarotonga and Aitutaki, income generating opportunities are also restricted in the islands of the southern group.<sup>3</sup> Even on Rarotonga and Aitutaki options for diversifying the economy, to make it less vulnerable to external shocks, are limited.

## 2.1 Economic Development

Over the seventeen years to 2005, the national economy has grown at an average rate of 3.6% per annum. There have been three distinct phases during this period.

- Between 1988 and 1994, economic growth averaged 5.5% per annum. Growth resulted from strong increases in visitor arrivals and increased government spending. The spending was ultimately unsustainable.
- Between 1994 and 1998, the economy contracted by an average 1.7% per annum. The economy went into recession in 1995 necessitating a package of economic reforms commencing in 1996.
- From 1998 to 2005, the economy grew by 5.1% per annum. After very strong growth in 2000 reflecting a period of catch-up following the recession, the economy returned to more sustainable growth rates.

The economy centres primarily on the tourism industry, which generates receipts of about 40 percent of gross domestic product (GDP), or around \$120 million annually. Tourism contributes significantly to a number of other industries including retail trade, agricultural production for the domestic market and construction. The other major export industries are offshore financial services, the offshore tuna fisheries and the black pearl industry, with the latter two together generating about five percent of GDP annually.

Despite the low growth rates for real GDP in 2005 growth is projected to return to the long-term growth rate of 3.5% in 2008, reflecting solid growth in visitor arrivals and tax receipts<sup>4</sup>. Economic growth was 0.8% in 2005-06, before returning to 2.5% in 2006-07. The narrowly based economy and limited human resources compound vulnerability. Te Kaveinga Nui identified a number of challenges that affect the development of the economy. These challenges include a limited number of skilled workers in technical

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<sup>2</sup> The Cook Islands comprise a Southern Group (Rarotonga, Aitutaki, Atiu, Mangaia, Manuae, Mauke, Mitiaro, Palmerston and Takutea) and Northern Group (Manihiki, Nassau, Penrhyn, Pukapuka, Rakahanga and Suvarrow).

<sup>3</sup> Drawn from: Cook Islands Government website (<http://www.cook-islands.gov.ck>); and Government of the Cook Islands, 2005. Millennium Development Goals National Report. Avarua, Cook Islands Government.

<sup>4</sup> Ref. *ibid*.

and specialised fields resulting in the need to import foreign workers, especially in the tourism sector.

While there is economic growth on Rarotonga and Aitutaki, the remaining islands in the Cook Islands group do not enjoy the same level of prosperity<sup>5</sup>. Rarotonga subsidises life on the outer islands, particularly through government spending, where the funds allocated are disproportionate to the population size. Added to this is the problem of continuing depopulation of the outer islands to Rarotonga in some cases, but ultimately to New Zealand and, increasingly, Australia. This means the government is providing basic services to fewer and fewer residents. Future infrastructure development proposed for the outer islands may not generate the necessary revenue to meet debt servicing or ongoing maintenance and operating costs.

The government acknowledges that the social costs involved in sustaining outer islands sustainability is often at the expense of unrealistic cost recovery mechanisms. The economic costs of not sustaining outer islands (each of which is culturally distinct from the others) has not yet been calculated. Increasing property and economic development on Rarotonga has the potential to increase Rarotonga's dependence on the outer islands for agricultural and horticultural produce (the 'gardens of the Cook Islands'). The sustainability between Rarotonga and the outer islands is an interdependent relationship.

The country's small-sized economy is hampered to some degree by limited competition in some areas, such as telecommunications, shipping and fuel supply. This often results in costly and unreliable utility services. The higher costs of fossil fuels puts more pressure on an already struggling transportation sector and pushes up the costs of energy supply. On top of this there has been a period since the 1996 reforms when infrastructure development has taken a back seat to institutional reform. Consequently, the Preventative Infrastructure Master Plan (PIMP) identified a large number of infrastructure projects that need urgent maintenance and development.

The vulnerable nature of the economy has seen previously strong performing industries are now struggling. These include:

- *Pearl farming:* The pearl industry at its peak provided export earnings of \$18.4 million in 2000. This has fallen away and estimated return in 2005-06 is \$2.1 million.
- *Fisheries:* The fishing industry went through a growth period followed by a fall in returns similar to those experienced in the pearl industry. Many businesses failed. There has since been a consolidation and the industry has stabilised.
- *Agriculture:* The agriculture industry previously had an export component but has since suffered in the face of international competition. It is now predominantly an industry that supplies the local market, with some niche market exports like maire leaves to Hawaii. This industry also suffers heavily from adverse climate factors such as cyclones.

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<sup>5</sup> Refer to various Cook Islands Quarterly Statistic Bulletin 1999, 2001 and 2003

- *Offshore Banking Industry:* The offshore banking industry has also stagnated due to international competition. Government has provided initiatives for industry growth with limited success.

## 2.2 Social Development

Although the UN is yet to conduct to assess the country's human development index (HDI), the Cook Islands' social development indicators are high relative to other Pacific Countries in terms of health and education standards<sup>6</sup>. However, despite the development success of the Cook Islands, it still faces challenges to sustain this position and to spread the benefits across the population. Continual migration of its people internally within the islands and externally to New Zealand and Australia has meant a population loss between 20% and 40% since 1996<sup>7</sup>. While the national birth rate is low in comparison with other Pacific nations, there are even fewer births in the outer islands because so many young people have migrated.<sup>8</sup>

The Cook Islands culture encourages individuals to provide for both their families and communities. Traditionally this, and systems of communal land tenure, have provided a safety net to ensure the basic needs of all members of society are met, including those who are underprivileged. This approach has provided a foundation for formal and informal civil society organisations (CSO's) to flourish. However, there are limited sources of income for CSO's and funds are often inadequate to meet demand.

The government and civil society do not officially acknowledge poverty. Instead there are pockets of hardship that are identified by:

- Under developed private sectors in the outer islands.
- Limited access to basic public services including health, education, water, transport and communication
- Limited opportunities to engage in formal employment.

National data on development masks considerable sub-national variance and indicators are generally lower for outer islands communities. The delivery of basic social and health services show a level of inequity between the outer islands relative to Rarotonga and Aitutaki. In the Cook Islands there is concern about the benefits of the country's development being shared equally amongst its citizens. Income levels are considerably lower in the outer islands than on Rarotonga, and economic dependency is higher. Education outcomes (exam results, completion statistics) are poorer for outer islands students, as is the health status of outer islands children. Despite major efforts to improve access to safe drinking water in the outer islands, there remains clear disparity in access to good quality water between Rarotonga and the outer islands

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<sup>6</sup> Draft Cook Islands and Economic Report: Equity in Development (PEIR) Manila, Philippines 2006)

<sup>7</sup> Cook Islands Census 1996, 2001, Quarterly Statistical Bulletins.

<sup>8</sup> ADB PEIR Report 2006 p 51

While social and education indicators for women are good, the Cook Islands 2005 Millennium Development Goals (MDG's) Report<sup>9</sup> notes uneven employment opportunities between men and women. The elderly and people with disability are also vulnerable. Traditional family support systems are weakening, particularly on outer islands as younger family members move overseas, often returning their children for a period to the care of their grandparents. People with disability have limited access to education and economic opportunities, especially on outer islands.

The NSDP identified a number of further challenges for the social sector. Non-communicable diseases are beginning to have a major impact on the health of many communities. There is limited access to quality health care given the increases in unit costs of basic and specialised health services.

The Cook Islands notes the targets of universal primary education for boys and girls; elimination of gender disparity in primary and secondary education; low and decreasing child and maternal mortality rates; and access to safe drinking water have been reached.<sup>10</sup> Despite these achievements, the report cautions that behind our country's impressive development achievements lies significant inequity and potential for standards to slip. Vulnerability to poverty and poverty of opportunity are accordingly real considerations for certain communities in the Cook Islands.

### **2.3 Small Island Developing States (SIDS) Challenges**

CI does not have absolute poverty but is vulnerable as described above and below. The JCS therefore focuses on Reducing the Vulnerability of the Cook Islands and Increasing its Resilience. These overarching themes are dominant considerations for Small Island Developing States (SIDS) and reflect the Cook Islands context quite strongly.

The vulnerability of the Cook Islands arises from inherent conditions such as size, location, and exposure to world markets. The nation is at risk from its small domestic market, dependence on tourism and limited opportunities for economic diversification, cyclones, distance from markets and trade routes, dependence on fossil fuels, high transport costs, governance problems, to name a few. Vulnerability is present at all economic strata in the Cook Islands, especially in the outer islands. Economic and environmental strategies under this theme could include climate proofing infrastructure; improving disaster response; improving environmental protection and sustainable management of natural resources.

## **3 COOK ISLANDS DEVELOPMENT STRATEGY**

The Cook Islands development strategy is set out in the NSDP medium-term strategies and goals with the long-term vision encapsulated in Te Kaveinga Nui. The NSDP relies on the effective implementation of eight priority goals. These are:

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<sup>9</sup> Cook Islands Millennium Development Goals National Report June 2005

<sup>10</sup> <http://www.adb.org/cookislands/mdg.asp>

- Education, health and other social services
- Law and order, and good governance
- Innovative private sector-led economic development
- Sustainable management of the environment and natural resources
- Basic infrastructure to support national development
- A safe, secure and resilient community
- A foreign policy that meets the needs and aspirations of Cook Islanders
- National development planning, evaluation and monitoring

The following section outlines the government's approach to development and highlights potential areas for donor alignment and contribution.

### **3.1 Inclusive, Vibrant, Productive and Resilient Society**

Continuing depopulation is possibly the biggest threat to the long-term sustainable development of the Cook Islands. The government considers the large Cook Islands population residing overseas, with their strong family ties back in the Cook Islands, could provide a solid foundation for building stronger economic partnerships between local and 'expatriate' Cook Islanders.

Government policies concentrate on creating incentives for families to remain in the country or to encourage return migration by targeting improvements in the social sector. These are based on the belief that society as a whole must work together to ensure the population sustainability of the Cook Islands.

#### **3.1.1 Education**

Education remains a primary focus of Government's commitment to long-term economic and social development of the Cook Islands. According to the 2004 Education Statistical Bulletin, 99% of the school age population attended school. While there are no official national figures for literacy rate for 15-24 year olds, indications show literacy levels in the upper 90 percentile. The government has increased the education share of the budget every year since 1995 with the sector receiving the largest share of government expenditure in 2007-08 at 14.4%.

The NSDP recognised that quality education is achievable with a strengthened education system throughout the Cook Islands. The government aims to produce not only equal educational opportunities for all Cook Islanders but also a well educated people. The NSDP focuses on strengthening community support in education; improving teacher quality and training standards; improving curriculum and assessment; improving quality of teaching materials; improving educational facilities and equipment; and strengthening the Ministry of Education.

Enhancing education in the Cook Islands goes beyond those of school age or formal education. The Cook Islands Human Resource Development Strategy aims to increase the basic trade and foundational skills of all people in the Cook Islands. This is achievable by improving the quality and accreditation of non-formal education services targeting the vocational and technical training needs of the country.

### **3.1.2 Health**

A strong health sector is central to the development of our human resources and the Government allocated 12.9% of total expenditure to this sector for 2007/08. The NSDP recognised the Cook Islands health system requires strengthening and service delivery improving so that all Cook Islanders receive quality health services.

Key health indicators show high rates of immunisation coverage, increasing life expectancy, declining infant mortality and improving maternal health. Health care services, particularly in the outer islands, remain poor. Specialised health services tend to require treatment overseas but donor support for Medical Specialist Visits provides an opportunity to provide necessary expertise.

There are government strategies in place to address the challenges of environmental health, communicable diseases and the 'lifestyle' diseases that result from tobacco and drugs. Increasingly, Cook Islanders are also facing problems of escalating obesity rates and the prevalence of non-communicable diseases such as diabetes, heart disease, respiratory disease, cancer and oral health.

Also playing a pivotal role in addressing the health concerns of the nation are the non-government organisations (NGOs) dedicated to improving the well-being of all our people including the vulnerable in society. Achievement of strategic targets in health is designed around cooperation between the Ministry of Health and related Government agencies; and health-related NGOs.

The government's aims in the NSDP are to strengthen health preventative programmes, develop human resources and medical personnel, improve health facilities and equipment, and strengthen the Ministry of Health. The NSDP objectives are to:

- Strengthen the health services on all islands and increase accountability and effective utilisation of local and development partner resources.
- Improve and protect the health of all Cook Islanders.
- Encourage healthier lifestyles and safer environments.
- Maintain adequate levels of specialist health advice to all Cook Islands people.
- Support community health development.
- Strengthen health infrastructure and systems.

### **3.1.3 Social Services**

Enhancing our development efforts also means that intervention programmes will target other social services such as labour and consumer programmes, gender equality-related activities and vulnerable communities (disabled, destitute & infirm, migrant workers, children and families at risk, unemployed, elderly, and women). Setting new policies, programmes and benchmarks will be part of the strategy including meeting international obligations as signatories to Convention for the Elimination of Discrimination against Women (CEDAW).

Government recognises the development of young people as a vital area for strategic consideration and action. Developing leadership opportunities and promoting healthier lifestyles through sport can help integrate youth into decision making roles.

Government also recognises the status and contribution of civil society in the governance of the Cook Islands and delivery of services to those most vulnerable. Partnerships with key non government organisations (NGO) are a vital part of meeting the needs of society.

The protection, preservation and promotion of our cultural resources, language, traditional values, knowledge and practices are important to us as Cook Islanders. These are essential in maintaining our identity as Maori and Cook Islands people as well enhance the value of our cultural heritage through other key development sectors such as tourism.

The NSDP looks at strengthening the capacity of the national repositories of our cultural heritage so that knowledge is collected, stored and available to all. The National Archives, library and museums will become crucial to this strategy. The CIGov will also look to develop intellectual property rights, research and other related policies and legislation that build ownership of our heritage.

### **3.2 Good Governance, Law and Order**

The 1996 Economic Reform Program underlined the need for public sector reform and introduced three key Acts of Parliament aimed at strengthening governance institutions. These were the Ministry of Finance and Economic Management Act requiring fiscal discipline and increased accountability on the Heads of Ministries; the Public Service Commission Act requiring performance assessments between Heads of Ministries and the Public Service Commissioner; and the PERCA Act establishing an independent public expenditure review committee (PERCA) to assist with the Audit Office.

The public sector environment has changed significantly since 1996. A Political Reform Commission issued wide-ranging recommendations for the restructuring of the political system in 1998. The Cook Islands' MDG Report stresses that implementation is rather patchy with only a few put into practice. Reform is included in the NSDP, which identifies the need to strengthen the Cook Islands parliamentary processes to improve legislative action and oversight. One step towards this is the introduction of anti-party hopping legislation to help reduce the number of frequent changes in Governments per electoral period. Another approach is looking at fostering integrity in leadership within Parliament and the senior management level of the public service. Strategies to achieve this aim will include drafting robust codes of conduct and adhering to the Forum Principles of Good Leadership and Accountability.

The NSDP points out that government's existing structures are inadequate to meet the demands of our constantly changing environment. The structure of the public service requires review to ensure accountability and performance to maintain the confidence of the community in the machinery of government. There are plans to strengthen the performance of the Central Agencies through developing a comprehensive Public Sector development plan. With the help of development partners, concerns relating to the delivery of service provided by the public sector will improve to ensure that the community receives 'value for money' for their investment in the public service.

Good governance in the outer islands provides some challenges. Limited economic opportunities have restricted the achievement of equitable development in the outer islands. Outer Island Administrations administer most services on the outer islands and these run in parallel with the elected Island Councils or '*Konitara*'. This situation has resulted in the lack of coordination between the various administrative arms of government. The effects of political influence, policy inconsistency, poor parliamentary oversight and other related factors have further compounded the challenges faced by the outer islands.

One of the strategies under Goal 2 of the NSDP is to strengthen government administration in the outer islands. Key policy targets alongside this strategy include reviews of the administration of the outer islands in the context of the devolution process. The goal is to strengthen good governance across all sectors with central government and develop a policy framework that minimises conflict between agencies and streamlines decision-making. OMIA's goal is to establish appropriate institutional mechanisms to support effective delivery of services to the islands by 2010.

In terms of law and order, the focus will be on the Cook Islands Police Department implementation of the recent police review recommendations. This raises police standards to meet community expectations, and national and international policing requirements. Our efforts and initiatives in strengthening national law and order and good governance programmes are summarised in the following NSDP strategies;

- Improve the Parliamentary, whole of government and private sector compliance with the principles of good governance, including accountability, transparency, contestability and predictability in executive decisions
- Strengthen the government administration of the Outer Islands
- Improve accountability and transparency of public financial management
- Strengthen public sector agencies to cost effectively deliver on core government services in line with the NSDP goals
- Strengthen national justice system to meet the changing needs of law and justice in an environment of increasing globalisation and international crime

### **3.3 Innovative Economy**

The Cook Islands has one of the better performing private sector led economies in the region following the implementation of the 1996 Economic Reform Programme (ERP). However, the economy is highly susceptible to external forces with a limited scope to expand or diversify its economic base. The NSDP strategies towards developing the economy will:

- Ensure sound macroeconomic management of the Cook Islands economy
- Strengthen Government Support to Small Medium-Size Enterprises Centre (SME) with a national focus on both Outer Islands and Rarotonga
- Promote the development of a vibrant financial services industry
- Review and reform economic structures based on future government and private sector led economic growth
- Promote and enhance tourism development that recognizes the importance of the natural environment and the cultural heritage of the Cook Islands

It is essential that the policy framework for private sector led economic growth is further developed to meet the Government's goal of economic growth averaging at least 3.5% per year over the medium and long term in order to double GDP (to NZD 0.6 Billion) by 2020. For the economy to continue to grow, private sector-led development must be encouraged. The Government will endeavour to promote growth by providing a favourable macroeconomic environment, critical physical infrastructure, social harmony, institutional stability and political solidity.

The CIGov expects the future benefits of economic growth to spread more fairly amongst all sectors of the community. As a matter of priority, Government will support the revitalization of each individual island's economy in promoting equity to ensure that all sectors of the community benefit from economic development. To this end, the newly created Business Trade and Investment Board (BTIB) will be responsible for driving growth in Small and Medium sized enterprises (SMEs) in the outer islands with the assistance of a re-vamped OIGF. BTIB will also identify particular growth areas for trade, development and investment both within and outside of the Cook Islands.

Government initiated an Offshore Industry Committee (OIC) in March 2006, consisting of members from the private and public sectors to provide policy advice concerning growing the offshore financial services industry. The Financial Services Commission (FSC) and Financial Investigations Unit (FIU) back this up. They help provide regulatory and monitoring support to the financial sector consistent with Financial Stability Forum (FSF), Organization for Economic Co-operation and Development (OECD), Financial Action Task Force (FATF) and other relevant international and regional laws and commitments.

The Cook Islands Tourism Master Plan forms the platform for strategic tourism development over the next decade. The emphasis is on strengthening infrastructure support for tourism as well as the integration of sustainable tourism with other sectors. Concerns with the overall impact of the industry has led to the development of a Tourism Master Plan, which focuses on 'eco-tourism' as a way to continue industry development while maintaining cultural diversity. The Cook Islands will have to maintain global competitiveness and gain a better understanding of key industry developments. This includes issues such as foreign workers, foreign ownership and spreading the industry beyond the main islands.

The enabling environment for the private sector in the Cook Islands is positive, with low costs by Pacific standards, a low level of government intervention and effective legal and commercial infrastructure for business. The Government intends to strengthen the environment with further commerce-oriented legislation. The Chamber of Commerce has been supportive of the development and implementation of a Private Sector Development Strategy. This framework will guide future structural changes in the private sector and Government's role in increasing productivity.

The Cook Islands continues to promote trade and is a signatory to the Pacific Islands Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations (PACER). It is also in negotiation with the EU on Economic Partnership agreements (EPA). These regional agreements offer opportunities for market expansion if the Cook Islands strengthen its economic competitiveness. On the downside could be the further

erosion of traditional export markets and reduced competitiveness for domestic industries if imported goods are considerably cheaper.

At the Trilateral High Level Talks in 2007, the Government highlighted some priorities for economic growth for the coming years:

- Ongoing support for existing industries especially tourism and those that are struggling, like the pearl industry and fisheries
- Push for the development of small to medium sized enterprises on the outer islands through BTIB. This will drive economic development and could help stem the tide of migration.
- In consultation with stake holders, government will undertake a program of privatisation, commercialisation and the contracting out of services that it currently provides. This will have the double effect of increased private sector growth while reducing the overall size of government.
- Upgrading of infrastructure and the development of a private sector plan
- The formulation and implementation of the NSDP and sectoral plans

### **3.4 Sustainable Environment and Natural Resources**

The Cook Islands natural environment provides the foundation for the long-term economic and social well being of our nation. Tourism is reliant upon the attractive natural environment of the islands. Other industries such as agriculture, pearl and fisheries are also directly dependent on a healthy ecosystem.

The NSDP identifies a substantial list of sustainable development and environmental issues. These include issues around sustainable development and better regulation of the key inshore and offshore fisheries; pearl industries; reduced land availability on Rarotonga; lack of agricultural infrastructure on outer islands; weak land use policies; lack of coordinated inter-sectoral management of natural resources and environmental programmes with weak agency capacity in this area; and the need to reduce the impact of waste and pollution on the environment.

Sustainable management of Marine Resources is another priority and the Cook Islands Marine Resources Institutional Strengthening Project (CIMRIS) programme is a key element to achieving this. Under a marine resources strategy there is scope to develop and implement Offshore Fisheries Development/Management Plan in partnership with the Tuna Industry Association and other stakeholders. Furthermore, there are plans to promote increased income opportunities in the outer islands through further development of aquaculture and inshore fisheries.

The potential for agricultural development to expand has been restricted due to limited agricultural land availability on Rarotonga, limited market access, the high costs of fuel for local production, high shipping costs and intense competition from international producers. The future for the sector lies in servicing the domestic market, particularly the tourism sector. Opportunities for local producers will be limited to those on the main tourism centres of Rarotonga and Aitutaki, unless transport infrastructure can enable outer island producers to get their produce into the main centres in a cost effective way.

Traditional land tenure systems differ from island to island and this reflects the future use and management of natural resources. An island specific management approach will be essential if the desired outcomes of economic development and resource conservation are achievable. The National Environment Strategic Framework (NESAF) will continue to be the leading framework for management of the Cook Islands natural environment.

Other NSDP strategies look at strengthening national capacity in bio-security as well as improving institutional coordination, support and implementation mechanisms for managing natural resources and the environment.

### **3.5 Basic Infrastructure to Support National Development**

The Cook Islands geographic isolation and scattered islands with sparse populations presents challenges for infrastructure development. In addition, the management of infrastructure is an ad hoc across various levels of government agencies. In January 2007, the Cook Islands launched the 20-year Preventive Infrastructure Master Plan (PIMP). The PIMP provides the framework that will guide infrastructure investment in the Cook Islands focusing on improvements to roads, airports and harbours, air and shipping services, energy, ICT and waste disposal.

CI Gov acknowledges that such an investment requires effective management structures to ensure its sustainability. Effective management will guarantee budgeting for future maintenance costs and climate-proofing infrastructure as a safeguard against the impact of weather related phenomenon.

Although Government plays a fundamental role in infrastructure development, it also needs to work in partnership with the private sector. The adoption of a Public-Private Partnership (PPP) approach to the development of land, air and sea transportation infrastructure and services is important to the long-term sustainability of key economic sectors and outer islands communities.

Some specific strategies will look at ensuring the supply and quality of water. This requires the overall upgrading and management of networks, holding capacities and intakes. Additionally, the Water Works Department is currently developing the Water Safety Plan and the Water Demand Management plan as part of institutional strengthening programmes.

Furthermore the increasing costs of fossil fuel and risks of future supply and storage capacity problems affecting the economy, continues to warrant Government's serious consideration. At the same time, these issues highlight the need to examine renewable energy alternatives and the need for investment in renewable energy infrastructure.

To ensure sustainability of the Cook Islands natural environment, the issue of waste disposal requires urgent redress. The Cook Islands looks to strengthen its waste strategies to support waste-related programmes nationwide including operations of new landfills and recycling centres on Aitutaki and Rarotonga. To this end the government has adopted the recommendations from *Rarotonga Apopo* that identifies waste management, road improvements and ducting as short term priorities.

The efforts in infrastructure development will ensure that the nation has the basic infrastructure required for social and economic progress as well as minimising the effects of both man-made and natural disasters on our environment.

### **3.6 A safe, secure and resilient community**

The Cook Islands is highly vulnerable to natural disasters. Recent years have seen an increase in both intensity and frequency of extreme climatic events. In 2005, five cyclones in a span of two months caused over \$10 million worth of damages. Such incidences undermine the country's resilience to natural disasters. In addition, man-made hazards and risks pose considerable threat to the country. The Cook Islands require sound and effective preparedness strategies to mitigate as well as respond to these threats.

The NSDP looks to build resilience by implementing a more coordinated and effective national disaster risk reduction, and management system. Other strategies will look at strengthening national immigration policy and border controls, which includes constant monitoring of our large EEZ.

### **3.7 A Foreign Policy that meets the needs and aspirations of Cook Islanders**

Over the past 10 years the Cook Islands 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 the development and expansion of the Cook Islands foreign policy.

To ensure that the Cook Islands continue to gain benefits from its interaction with the international community, it is imperative that the Ministry of Foreign Affairs has the capacity to service, provide guidance and leadership to all stakeholders in terms of our bilateral and multi-lateral relationships. The key strategies from the NSDP are to:

- Strengthen the relationship between the people of the Cook Islands and the people of New Zealand
- Strengthen and manage international relationships in the interests of the people of the Cook Islands
- Ensure optimal benefits from the Pacific Plan and CROP agencies
- Effective leadership and ownership over development policies, strategies and coordinated development actions
- Alignment of donor agencies with national prioritised programmes
- Increase effectiveness of development partner financial and technical assistance
- Ensure that donors actions are more harmonized, transparent and collectively effective

### **3.8 National development planning, evaluation and monitoring**

Since ERP, the Cook Islands government has not had a central planning office. The process for national planning revolves around the annual budget process. A key

deficiency of this process is the concentration of budgetary allocations on annual work programmes without serious regard to a national medium-term strategy. Individual Government ministries and agencies were therefore planning on an ad hoc basis with very little effective coordination, sharing of information and long-term stewardship.

The Office of the Prime Minister is to establish the Central Planning and Policy Division to coordinate national development activities. It is therefore crucial that this Division receives adequate technical assistance, training and resources to provide policy, planning, assessment, monitoring and evaluation support to all of Government, Non-Government Organisations and the private sector.

Limited availability of quality information further compounds the difficulties faced in identifying appropriate responses needed to address the country's development goals. An effective information system will underpin robust, evidence-based decision-making. It will also facilitate the provision of information for performance monitoring, evaluation and reporting of government agencies against national goals. Other NSDP strategies to address these issues will:

- Improve coordination and harmonisation of regional, national, sectoral issues, strategies and policies
- Explore mechanisms for strengthening and institutionalizing financial support to sustain delivery of NGOs and community based agencies supportive programs
- Strengthen statistical data and information systems to support evidence based development planning, monitoring and reporting under the National Sustainable Development Plan and against regional and international commitments, including MDGs, CEDAW, CRCs and MEAs

#### **4. POLICY CONSIDERATIONS**

The Cook Islands government's focus is on building a sustainable future that meets the country's economic and social needs. NZAID's focus is poverty elimination for a safe and just world and AusAID's is poverty reduction and sustainable development in line with Australia's national interest.

The JCS supports the Te Kaveinga Nui and reflects policy priorities and approaches of each partner.

##### **4.1 Cook Islands**

The Cook Islands government's national policy framework and development strategy are set out in the Te Kaveinga Nui 2020 Vision, achieved through implementation of the NSDP. The vision is

*"To enjoy the highest quality of life consistent with the aspirations of our people, and in harmony with our culture and environment"*

The NSDP is currently a three-year plan with two more documents planned for subsequent five-year periods to 2020 that articulate the priority areas guiding Cook Islands development. The present NSDP seeks to build a sustainable future that meets our economic and social needs without compromising prudent economic management, environmental integrity, social stability, and our Cook Islands Maori

culture, and the needs of future generations. Te Kaveinga Nui has undergone comprehensive community consultations and incorporates the views of all sections of society.

The NSDP has eight priority areas for Cook Islands development: social services, governance, private sector development, natural resources and environment, infrastructure, security, foreign affairs, and improved development planning. Given the short timeframe of the current NSDP, not all strategies will be achievable in the first three years. It is expected that some will roll over into subsequent plans. The process of prioritising the NSDP is ongoing and involves establishing the building blocks of robust planning, performance, monitoring and evaluation.

Development cooperation (bilateral and multilateral) will play an important role in the Cook Islands implementation of the NSDP. With established relationships with NZAID in-country representatives, and the pre-eminence of the NSDP, aid coordination and effectiveness become achievable goals. The NSDP and its M&E framework (under preparation) provides the context for development cooperation from partners and link funding to a single framework of conditions and/or a manageable set of indicators derived from the national strategy. To ensure efficiency and effectiveness of aid, all three partners have committed to harmonising systems and processes with those of the Government.

## **4.2 New Zealand**

The Cook Islands has a special relationship as a self-governing country in free association with New Zealand with significant cultural and historical linkages. This relationship sits on a spectrum from integration with the former colonial power (on the one hand) to greater independence on the world stage (on the other). The Cook Islands has evolved a long way along the continuum towards independence<sup>11</sup>, as acknowledged in the reaffirmation of the Constitutional Relationship in 2001 and in the Cook Islands' vision for its future: Te Kaveinga Nu, 2007.

NZAID or Nga Hoe Tuputupu-mai-tawhiti ('the paddles of growth from afar') administers New Zealand's official development assistance (ODA) programme. The name reflects a Pacific heritage and the principles of partnership which guide NZAID.

NZAID's policy statement, *Towards a Safe and Just World Free from Poverty*, (2002) sets out a central NZAID focus on poverty elimination. NZAID recognises that poverty has different forms including extreme poverty, poverty of opportunity, and vulnerability to poverty. In Cook Islands the latter two forms are the main focus of NZAID's support.

NZAID is committed to sound poverty analysis, which takes into account human rights, gender, equity and environmental principles in the preparation of development plans. It works in partnership with civil society and communities at the grassroots, governments, regional and international bodies, and with New Zealand stakeholders.

NZAID seeks outcomes from its development partnerships that lead to fulfilment of basic needs, sustainable livelihoods, equitable development, and safe, just and

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<sup>11</sup> NZ MFAT 2005. Cook Islands: Constitutional Status and International Personality

inclusive societies. The NZAID Five Year Strategy (2004/05 to 2009/10) has a particular focus on:

- Empowering those in poverty through support for education, health, livelihoods, and the environment, measured by achievement of the Millennium Development Goals.
- Supporting governance that addresses poverty through work on human rights, leadership and government, and economic development.
- Reducing vulnerability to poverty through peace building, humanitarian support, and community safety.

Approximately \$NZ9m of bilateral aid is programmed annually to the Cook Islands. The value and impact of regional activities might increase as regional approaches take on more relevance for development issues in the context of the Pacific Plan.

#### **4.3 Australia**

The Cook Islands is an important development partner for Australia reflecting shared development concerns. Australia is a significant donor to Cook Islands, contributing approximately \$NZ1.7m of bilateral aid. The aid relationship between Australia and Cook Islands is managed by NZAID through a delegated management arrangement.

The White Paper on Australia's Aid Program (2006) provides a medium term strategic blueprint for the Australian Aid Program in the Asia-Pacific region. The White Paper details challenges faced by PICs and recommends donors focus on good aid practice, governance, the investment climate and improving service delivery. The White Paper organises the aid programme around four themes of;

- accelerating economic growth
- fostering functioning and effective states
- investing in people
- Promoting regional stability and cooperation

In addition, the effectiveness of the aid program looks at:

- strengthening the performance orientation of the aid program
- combating corruption
- enhancing Australia's engagement with the Asia-Pacific region
- working in partnership with regional governments and other donors

The objective of Australia's aid program is to reduce poverty through sustainable development. Australia's Pacific Regional Strategy 2004 to 2009 also guides Australian aid to Cook Islands. This helps sharpen the focus on four outcomes most critical to establishing the foundations for poverty reduction, stability, growth and peaceful development in the region:

- broad based growth
- effective, accountable and democratic government
- improved law and justice and security
- better service delivery

Australia remains committed to a sustained and robust partnership with the Pacific and is elevating policy engagement and practical support to the region including wider government engagement to promote effective governance. Australia is actively seeking opportunities for greater aid coordination and harmonisation with development partners to enhance aid effectiveness. The Cook Islands is an important partner to Australia in this regard.

Approximately A\$1.6m of bilateral aid is programmed annually to Cook Islands. The value and impact of regional activities may increase as regional approaches take on more relevance for development issues in the context of the Pacific Plan. Australia will also continue to encourage better integration of regional initiatives to complement and enhance aid outcomes.

#### **4.4 Policy Considerations**

The Cook Islands experiences poverty of opportunity<sup>12</sup> and vulnerability to poverty<sup>13</sup>. Furthermore, as a small island developing state (SIDS), it is vulnerable due to innate conditions such as its size, location, and exposure to world markets. It also faces proneness to cyclones; a small domestic market; dependence on tourism and limited opportunities for economic diversification; dependence on fossil fuels and associated high transport costs; and other factors common to SIDS.

In order to mitigate these challenges, the partners agreed that the JCS would focus on Reducing the Vulnerability of the CI and Increasing its Resilience. These overarching themes target the local conditions inherent in SIDS and strongly align with the Cook Islands context, especially in the outer islands.

Building resilience is a proactive approach, taking control of policies and programmes to promote an environment where growth is sustainable despite the vulnerabilities. Strategies towards this outcome could include diversification of the economy and trade; capacity building (public and private); developing competitive economic strategies (tourism, pearls, financial sector, agriculture etc); providing enabling infrastructure, affordable transportation and communications; improving governance; maintaining a stable macro economic environment; increasing food and energy security through tapping the potential for indigenous sources; and so on.

Aid effectiveness works more effectively when aligned to national plans and priorities and the partners will be working together to make TKN and the NSDP more usable in guiding both CIGov's own activities and the NZAID/AusAID programme. For example:

- developing more specific and time-bound targets in the NSDP (where appropriate)

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<sup>12</sup> *Poverty of opportunity* – where opportunities to participate in economic, social, civil and political life are seriously limited

<sup>13</sup> *Vulnerability to poverty* – where individuals, communities and countries are particularly vulnerable to circumstances likely to damage their livelihoods, their ability to meet basic needs and their ability to participate actively in economic, social, civil and political life.

- clarifying CIGov funding available to support its priorities, and the inputs of other donors and regional organisations
- clarifying funding gaps where NZAID/AusAID may best provide effective assistance
- clarifying and supporting CIGov's monitoring and evaluation processes for the NSDP

The policy priorities of Cook Islands Government (CIGov), as expressed through TKN, NZAID's policy priorities expressed through its draft Pacific Strategy 2007-2015 and AusAID's policy priorities expressed through its White Paper 2006 were brought together under the two overarching themes of the JCS. Consequently, in the short term<sup>14</sup>, NZAID/AusAID will continue to support existing priorities in the new programme:

- Investing in People (renamed from delivery of basic services to acknowledge that it will be a broader and more proactive approach)
- Good Governance
- Sustainable Livelihoods and Economic Growth
- Infrastructure

TKN acknowledges that CI is moving from an annual planning and budget setting process to a national medium term strategy in order to provide direction, focus and coordination to its nation building programmes. By 2010, CIGov will have implemented the first NSDP and the second NSDP 2011 – 2015 is likely to be a more focussed document that will better guide the partners in prioritising and implementing the ongoing assistance programme. At the same time, NZAID and AusAID will have collected baseline and monitoring data, and undertaken analytical work that will contribute to priority setting for 2010 onwards.

Modalities for providing support through the JCS will be shaped by the desire for the partners to include both macro-policy level and grassroots initiatives and to be flexible enough to adapt to changing circumstances and priorities over the 10-year life of the JCS. Assistance will be targeted to both 1) government, to increase its ability to fulfil its mandates to the people, and 2) direct projects to reduce vulnerability and increase resilience, such as through support to civil society.

In line with the increased capacity of CIGov to manage aid funds in mutually agreed priority areas the partners will increasingly use modalities that integrate with local systems, to maximise aid effectiveness, cost effectiveness and efficiency.

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<sup>14</sup> This is because 1) there are current multi-year commitments extending up to 2008 and 2009, 2) CIGov and its partners will be working on prioritising the NSDP to achieve maximum effectiveness, and 3) the JCS will be reviewed in 2010 at the same time as the new NSDP is formulated and priorities for NZAID/AusAID assistance 2010 – 2017 agreed.

## **5. COUNTRY STRATEGY AND IMPLEMENTATION**

### **5.1 Guiding principles**

The JCS harmonises development assistance strategies, management and programme activities to enhance development impact and accountability. It also strengthens Cook Islands ownership and management of development cooperation from NZAID and AusAID. The three partners are committed to the Paris Declaration and Pacific Principles for Aid Effectiveness, which guides the implementation of the JCS. In practice these principles are:

- A high degree of Cook Islands Ownership of the development process
- Alignment of donor programmes with development priorities of the Cook Islands;
- Harmonisation of donor delivery mechanisms
- Managing for development results
- Mutual accountability

The JCS is aligned to the Cook Islands national priorities as expressed through TKN's 2020 vision and the NSDP 2007 – 2010. This includes making TKN and NSDP more useful in guiding both CIGov's own activities and the NZAID/AusAID programme for example:

- Strengthening CIGov's monitoring and evaluation systems for the NSDP

### **5.2 JCS Goal**

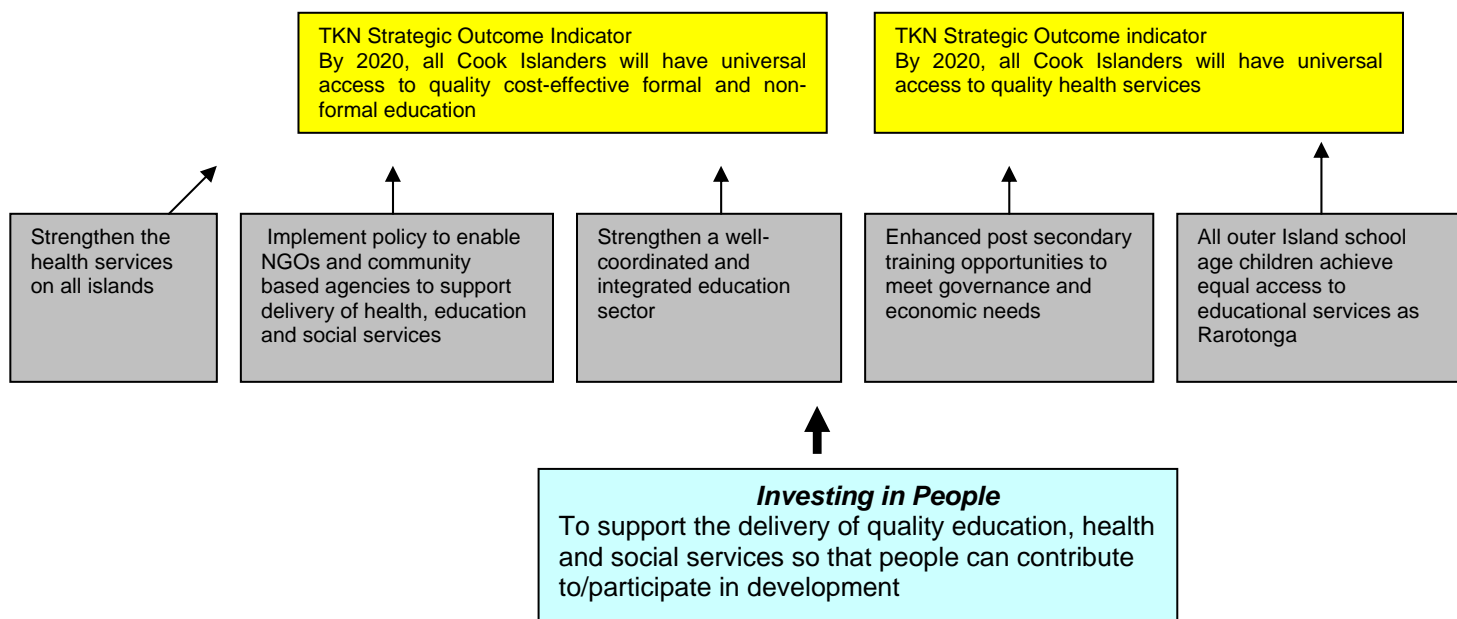
By focusing on two overarching themes of reducing vulnerability and increasing resilience, the goal and objectives for the JCS builds on past engagements under the Country Strategy 2001 – 2006 (extended to 31 December 2007) as well as TKN priorities. TKN 2020 has as its vision "To enjoy the highest quality of life consistent with the aspirations of our people, and in harmony with our culture and environment". In support of TKN vision, the goal for the JCS is:

**To contribute to building a sustainable future that meets the social and economic needs of the Cook Islands, particularly the outer islands.**

### **5.3 JCS Objectives**

Achieving Cook Islands vision will require sustained levels of good growth underpinned by greater opportunities for employment and investment. It will also require improved levels of governance, services and community development. In support of the JCS goal and TKN and the NSDP (2007-10), the JCS proposes four strategic objectives and seven outcomes against which New Zealand and Australian development assistance will be programmed.

### 5.3.1 Strategic Objective One



#### Response:

New Zealand and Australia have provided long-term support to the Cook Islands Education and health sectors resulting in improvements in the Cook Islands capacity to manage and deliver education and Health services. Ongoing support is required to build on these achievements.

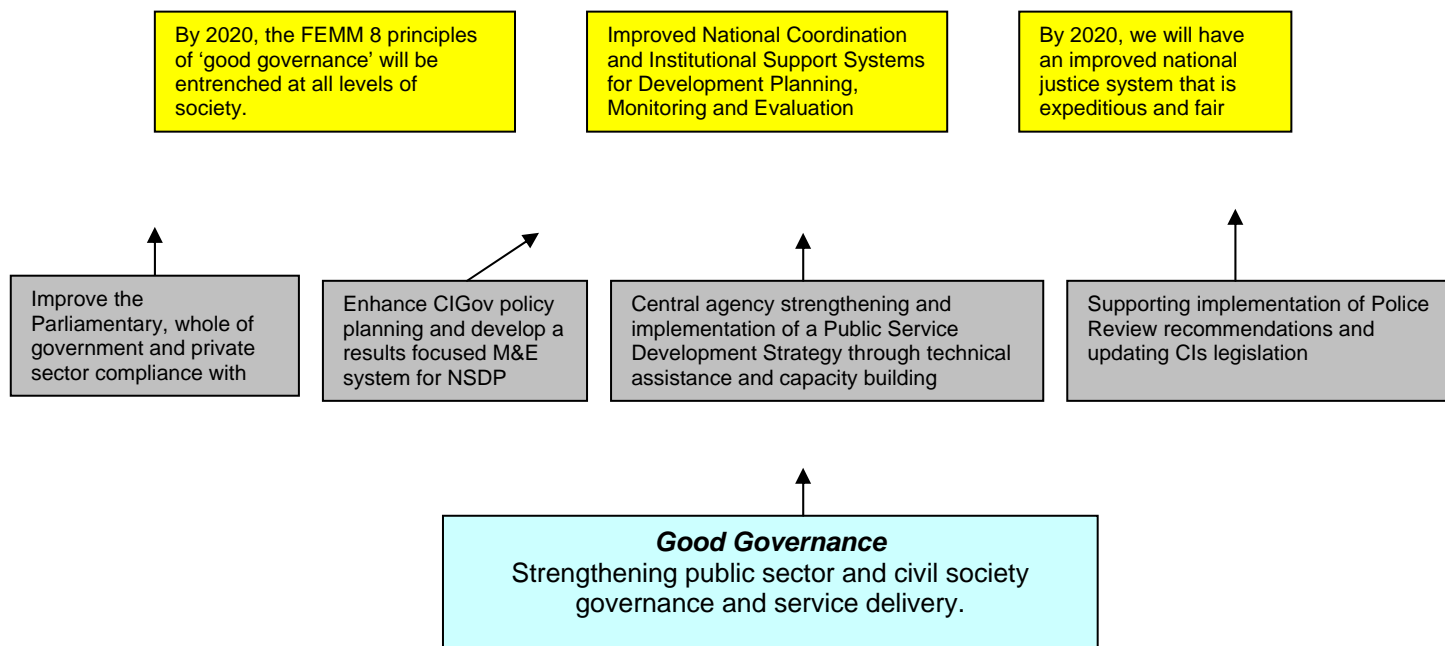
For Education and training, this will include supporting the CIGov in taking a sector approach to planning, financing, managing and improving the quality of services. Improving teacher quality and supply will continue as a focus for the JCS partners along with service delivery to the outer islands. Building on institutional capacity through an Education Sector programme will also be established with the CIGov. This will include priorities in the Education Sector Strategic Plan. .

Assistance to education will also include continued post-secondary and tertiary support through scholarships; in-country and off-shore short-term training opportunities linked to prioritised national human resource needs. The shape of this assistance will be determined in part by an evaluation of the Scholarships particularly to New Zealand.

In health, Medical Specialist support will continue at least in the short-term based on the findings of the 2007 Review of the Medical Specialist Visit Scheme. Medium-term support to the health sector will be considered subject to national health indicators and the activities of other donors. Findings of the 2007 Ministry of Health management review will also feed into future programming.

In addition, New Zealand and Australia will continue to support Cook Islands Education and Health sectors through regional initiatives including Pacific Regional Initiative for Development in Education (PRIDE) and medical equipment maintenance, immunisation, HIV/AIDs, reproductive health and family planning.

### 5.3.2 Strategic Objective Two:



#### The Response:

New Zealand and Australia have provided support to the public sector to improve the financial management, auditing, policy planning and legislative reforms and policing. This has been undertaken primarily through the provision of technical assistance to address capacity building and supplementation needs of public sector institutions. These have contributed to improved and generally sound national financial management systems as well as better sector planning in Education and Marine Resource management.

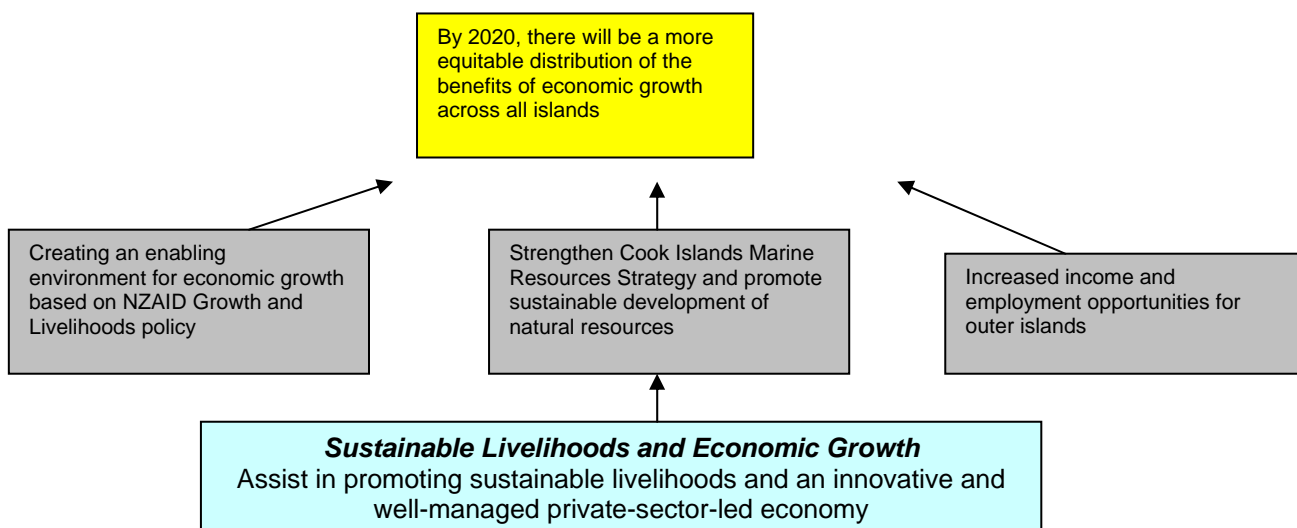
In line with Cook Islands national priorities, New Zealand and Australia will continue supporting the CIGov to improve the efficiency, effectiveness and accountability and service delivery of its public sector. In doing so New Zealand and Australia will seek to ensure that assistance is strategically focussed, consistent with an overarching framework for the improvement of public administration, involve CIGov at all stages in planning and management and maintain in-built flexibility to respond to changing circumstances.

New Zealand and Australia have also provided support to Cook Islands civil society strengthening the governance and service delivery capacity of community groups and non-government organisations working with those most vulnerable in Cook Islands society. New Zealand and Australia will continue in this supporting role of community development. In the short term, it is expected that this support will continue through the provision of the existing small grants scheme, core funding to organisations and implementation of the National Disability strategy.

The shape of future support will be determined following the completion of an impact evaluation of current Civil Society initiatives It is expected to continue to support the

input of civil society in to CIGov policy, programmes and services as well as responding to issues of concern to women, children, youth, the elderly and people with disabilities and illness.

### 5.3.3 Strategic Objective Three:

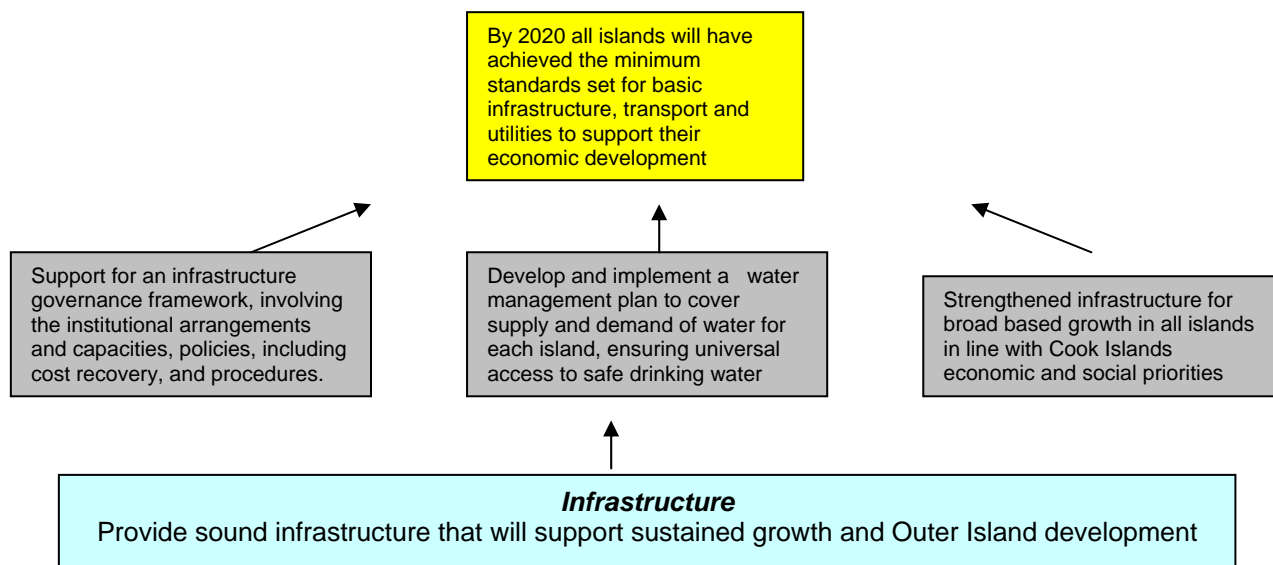


#### The Response:

Under the 2001-2006 CI Country Strategy, the joint programme has been supporting institutional strengthening in the fisheries sector (CIMRIS), the provision of infrastructure in the outer islands through a Development Partnership Arrangement, and the small and medium enterprises sector (SME). As programmes such as CIMRIS achieve their objectives, funding priorities are likely to shift to other activities mutually agreed in support of the JCS Goal. All sectors will continue to be monitored and supported as necessary to maintain the gains that have been made.

To reduce vulnerability and increase the resilience of the CI, JCS partners agree it is important to grow and diversify the economy (see description of broad-based growth in the Glossary). This will be guided by the National Economic Development Strategy being prepared by CIGov and by ongoing assessment of CI's social and economic indicators. The shape of future assistance may also include support to Small Medium Enterprise (SME) along with macro policy support to private-sector-led sustainable economic development.

### 5.3.4 Strategic Objective Four



#### Response

Infrastructure is a priority for the CIGov as a foundation for accelerating growth and providing basic services for citizens. Support for this will continue under the JCS (and also the Cyclone Recovery and Reconstruction Plan<sup>15</sup>), including the possibility of supporting improved capacity within relevant agencies to manage infrastructure.

The JSC will also continue to support infrastructure development through the implementation of pipelined outer islands infrastructure projects that are also included in the Cook Islands launched 20-year Preventive Infrastructure Master Plan (PIMP). Priority will be given to access to essential basic services in the outer islands, and infrastructure that supports economic development.

Additional infrastructure support is also provided through the Cook Islands Cyclone Recovery and Reconstruction plan and the Ministry of Education/Cook Islands Investment Corporation School Refurbishment Programme. The partners will consider further support to implement the PIMP. This may include building the capacity of central and outer islands administrations to manage infrastructure.

### 5.4 Aid Coordination and Management

The CIGov takes the lead role in negotiations with development partners to strengthen aid coordination. It also develops policy on coordination and management of Aid. TKN 2020 and the NSDP (2007 – 2010) provide the basis of all development cooperation programmes. Sector planning is underway to provide the framework for the identification and delivery of policy initiatives by government and other stakeholders.

<sup>15</sup> NZAID-only programme: \$10m over 2007/8 to 2009/10 to repair and upgrade cyclone-damaged outer islands infrastructure.

The CIGov is seeking to shift towards sector wide approaches to enhance ownership and effective and efficient utilisation of both external and internal resources.

The Cook Islands continue to develop its institutional capacity to manage and coordinate aid and develop priorities and policies. The mechanism for aid coordination/management involves Cook Islands Cabinet comprising six cabinet ministers that approve development cooperation programmes. All projects are required to be approved by the Aid and Capital Coordination Committee (ACCC) which consists of seven members and considers resources allocation for development activities if required from external sources. The Secretariat is the Aid Management Division of the Ministry of Finance and Economic Management (MFEM). The ACCC also approves requests from the non-government organisations intended for donor funding.

Harmonisation of NZAID and AusAID procedures with Cook Islands continues to develop. Some achievements include; joint high level policy discussions; joint programming and review missions, joint management of programmes. Areas of development include Monitoring and Evaluation.

The JCS partners seek to increase CIGov management of New Zealand and Australian funded initiatives in order to enhance aid effectiveness and strengthen CIGov systems and capacity for aid management. The JCS partners will also continue to ensure that building CIGov technical and management capacity is a focus of all development initiatives supported by New Zealand and Australia.

The early years of the JCS are to some degree committed to pre-existing priorities and programmes. New areas of work include a Participatory Hardship Analysis and Migration Study to obtain information and data for developing the programme, and to set up the JCS with a M&E framework and baseline data. There may also need to be design missions to develop new components of the JCS for implementation. Transition to any new priorities and modalities will take into account the personnel and capacity resources of the partners.

The Aid Management Division of CIGov is developing an Aid Management Strategy which will be supported and adhered to by the JCS partners. Until this is developed, NZAID will continue to coordinate with other donors and programmes and encourage alignment to CIGov priorities where possible and appropriate.

## **5.5 Aid Delivery Mechanisms**

NZAID and AusAID and other development partners share concern that the wide variety of donor requirements and processes for designing, delivering, and monitoring development assistance are unnecessarily raising transaction costs for recipient countries and overloading implementation capacity. Donor practices and requirements do not always fit well with national development priorities and systems, including their budget, program, and project planning cycles and public expenditure and financial management systems.

The traditional approach to delivering development assistance has tended to be project driven creating a burden for recipient countries to respond to multi-donor specific reporting, monitoring and mission management, and little responsibility for the funds

disbursed on their behalf. Project based aid can also mean high transaction costs and poor coordination as each initiative is separately developed and managed by donor and partner government.

In response to these concerns the JCS partners agree to explore and promote broader funding mechanisms and development approaches that encourage coordination, reduce transaction costs and increase the effectiveness of aid. Critical elements in achieving improved aid effectiveness and impact which JCS partners will seek to incorporate into aid planning and programming include:

- Ensuring that development initiatives are strategically aligned to Cook Islands Te Kaveinga Nui and relevant sector plans
- recognising the harmonisation principles agreed to by CIGov, AusAID and NZAID and the Paris Declaration on Aid Effectiveness (2005)
- enhancing and strengthening Cook Islands government ownership, leadership and involvement in all stages of planning, management and delivery
- Reducing 'projectisation' of assistance to fewer initiatives aligned and integrated with Cook Islands priorities and systems.
- utilising more innovative and flexible aid modalities including sector-wide approaches and direct budget support where appropriate
- ensuring all aid initiatives have in-built flexibility to respond to changing circumstances
- multi-year programming and emphasis on sustainability
- a focus on outcomes and impact, rather than inputs
- harmonizing and streamlining donor funding, management and reporting
- aligning with Cook Islands systems and processes, including budget cycles and sector plans
- promoting policy coherence between stakeholders
- supporting initiatives by funding through the CIGov budget
- Strengthening partnerships and policy dialogue between partners.

Programming choices will be informed by lessons learned and rigorous research and analysis as required. Under the JCS, the following key targets relating to aid delivery mechanisms, based on the Paris Declaration on Aid Effectiveness, will be met by 2010:

- At least two thirds of public sector aid initiatives commencing that year will be managed through the Cook Islands' own public financial management systems (budget execution, financial reporting and auditing)
- At least two thirds of public sector aid initiatives commencing that year will use the Cook Islands' own procurement systems
- At least two thirds of all aid initiatives commencing that year will be delivered in a "programme context", meaning: leadership by the Government of Cook Islands; a single comprehensive framework for both donors and partner in the relevant sector; formalised processes of harmonisation and alignment; and efforts to further increase the use of local systems.

The first three years of the strategy will see a focus on strengthening Cook Islands systems especially public financial management, procurement, accountability and monitoring and evaluation, to allow these targets to be met by 2010 if not earlier. By

2010 (i.e. after three years), the Cook Islands and partners will be in a position to assess what can be done to move beyond these targets, including to (if possible) greater use of general budget support and reliance on Cook Islands' own accountability systems.

## **5.6 Regional Activities and other Development Partners**

The Cook Islands participates in many Pacific regional organisations and benefits from several regional development activities being undertaken in the country. They include environmental, policing and health activities – see Appendix 3 (which includes only NZ/Australian-funded organisations and programmes).

The Cook Islands share development partnerships with China, Asian Development Bank (ADB) and the European Union (EU)(Appendix 3). China tends to focus on discrete infrastructure projects. The ADB has indicated that it will primarily be supporting the implementation of the Preventative Infrastructure Master Plan 2007-2020 through concessional loans, particularly in Rarotonga where there is most likely to be a return on investment to repay the loans. The EU has indicated that its primary focus for 2007-2010 will be on renewable energy and/or water and sanitation. ADB and EU are currently developing Country strategies to guide their involvement in Cook Islands.

Development initiatives under the JCS will coordinate as far as possible with these regional and other development partner activities. The parties to the JCS will also work with regional organisations and other donors to maximise the alignment of all activities with the priorities of the Cook Islands under TKN and the NSDP.

## **5.7 Strengthening Partnerships**

NZAID and AUSAID are committed to supporting effective coordination between the large number of bilateral regional and multilateral donor and non state sector organization working in the Cook Islands and the Pacific Region.

The JCS partners seek to strengthen partnerships and linkages with key stakeholders including:

- working more closely with donors (including bilateral, multilateral and International Finance Institutions)
- harmonising aid efforts where appropriate.
- strengthening the engagement of whole-of-government partners
- strengthening the capacity of the aid program to contribute to whole-of-government issues.
- strengthening regional responses and the integration between regional and bilateral initiatives.
- strengthening relationships with civil society and disadvantaged communities.

The JCS partners will engage in annual programming talks in the Cook Islands to plan, coordinate and resolve activity issues. Joint high level policy talks (High Level Talks) will be held at two yearly intervals to review and re-set, as necessary, strategic directions. HLT agenda items will include monitoring of the JCS, the effectiveness and impact of harmonisation arrangements and updates in relation to TKN implementation, monitoring and review.

Given the significance of the Te Kaveinga Nui to the JCS, it is important to discuss and understand Cook Islands sectoral and national planning processes to develop and implement appropriate development assistance. Partners therefore will seek opportunities to participate in policy dialogue relevant to Cook Islands development including: sector policy and planning, TKN and NSDP consultation and development of civil society. Other dialogue between partners will occur as and when necessary, and where possible, to include other donors to facilitate an environment of mutual understanding and cooperation.

## **5.8 Role of NGOs and Civil Society**

Civil Society generally have a good relationship with CIGov including being involved in the drafting of TKN and the NSDP (2007-2010) and have a role in implementing and monitoring it. Non-government organisations (NGOs) provide a wide range of social services. The private sector is strong and vocal with a generally good relationship with CIGov.

Work under the Good Governance component of the 2001-6 Country Strategy focused on the 'supply side' (such as institutional strengthening) and supporting NGOs to strengthen the 'demand side' but not on how these areas of support might relate. Engaging citizens in governance allows governments to access wide sources of information, perspectives and potential solutions, and therefore improves the quality of decision-making about priorities, strategies and utilisation of public resources.

Support to civil society will continue as an important feature of the JCS, through a mechanism or mechanisms to be developed following the Civil Society/NGO evaluation.

## **5.9 Interwoven issues**

The Strategy gives consideration to issues of Human Rights, Gender, conflict prevention, HIV/AIDS, disability, environment and anti-corruption through a mainstreamed approach towards management, design, implementation, monitoring and evaluation.

Support for Women, Children, Youth and people with disabilities has been provided through good governance and basic services objectives of the previous strategy. This support will be based on the outcomes of the Civil society evaluation.

The Cook Islands is a signatory to the Convention on the Elimination and Discrimination Against Women (CEDAW) and on the Rights of the Child. As set out in the NSDP, the JCS will continue to give specific consideration to the protection and promotion of the rights of women and children and fostering of their participation in programmes at all levels.

The strategy will assist CIGov implementation of CEDAW Report recommendations through legislative reform, promoting women's health (particularly sexual and

reproductive), along with participation of women in politics, education and the private sector.

It is recognised that conflict is inherent in all societies occurring in households, communities and within states where there is poverty, poor governance, inequality, lack of respect for human rights and environmental degradation. With low risk of conflict, the Cook Islands have achieved structural stability with functioning conflict resolution mechanisms and institutions in place. The JCS will consider further conflict prevention support if required.

The CIGov identifies the **outer islands** as a cross-cutting focal area of hardship and vulnerability in the Cook Islands.<sup>16</sup> This will be addressed in the JCS using several options, none of which would be mutually exclusive:

- directly through activities implemented by outer islands administrations and where outer islands residents benefit directly such as access to training and business support opportunities
- indirectly through support to central government agencies that support implementation of services to the outer islands and/or
- indirectly through supporting the islands and sectors that are making the most progress in order to support economic growth and the Cook Islands' own ability to address hardship in the outer islands

In developing such initiatives, New Zealand and Australia will engage in macro-policy discussion with CIGov about each partner's policies and resources to ensure alignment with promoting equity for those facing hardship.

## **5.10 Disaster Risk Management**

Cook Islands tourism industry and overall economy remains highly vulnerable to natural disasters and climatic changes given the concentrations of settlements in exposed coastal areas and low lying land mass of most islands. New Zealand and Australia will continue to assist Cook Islands to develop its own capacity to reduce the impact of disasters and to prevent disasters from undermining development objectives.

New Zealand's support to disaster risk management includes a support package based on the Cook Islands Cyclone Recovery and Reconstruction Plan following the 2005 cyclones. The programme includes repairs to a number of infrastructure projects as well as activities aimed at reducing the Cook Islands vulnerability to future disasters.

New Zealand and Australia is also supporting Cook Islands disaster preparedness and response capacity through regional initiatives including through supporting SOPAC in its mandated role to strengthen disaster risk management capacity in the region.

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<sup>16</sup> CIGov Forward Aid Programme Overview, presented at the High Level Talks in February 2007.

### **5.11 Resourcing**

New Zealand and Australian bilateral and regional funding allocations are subject to annual Parliamentary approval and allocation. The current annual bilateral allocation from Australia to Cook Islands is A\$2.6m and NZ\$9 million from New Zealand. Funding allocations are expected to remain at similar levels during the strategy period.

## **6. MANAGING FOR RISK AND RESULTS**

### **6.1 Managing Risk**

Cook Islands is committed to political reform, improved accountability and transparency. This reduces the external, country and program level risks associated with the delivery of the JCS. Nonetheless the Cook Islands remains a small island developing state making it inherently vulnerable to external economic shock, natural disasters and other environmental risks. Public and private sectors are increasingly expected to achieve more and more with a declining reserve of human capital and physical resources. This increases the risks associated with a programme which increasingly focuses on harmonisation and government ownership. .

A risk management matrix sets out this assessment in more detail (Attachment 2). It analyses three categories of risk: external, country level risk and program level risk. The impacts of a number of environmental risks are rated as high with identified mitigation strategies. Any change to this assessment should trigger a strategy review.

The M&E framework of the JCS will provide an appropriate process for the regular monitoring and review of programme-level risks.

## 6.2 Managing for Results

Monitoring and evaluation (M&E) by NZAID and AusAID is identified in the review of the 2001-2006 country strategy as weak. For example, there was very little data on the impact of the joint programme. M&E are important for CIGov in implementing the NSDP as well as for NZAID and AusAID. M&E will therefore be a specific strategic focus in the JCS, in coordination with regional agencies and other donors such as Secretariat of the Pacific Community and ADB, who are working with national statistics offices.

The JCS will integrate the monitoring and evaluation<sup>17</sup> (M&E) requirements of NZ and Australia with those of Te Kaveinga Nu. A harmonised mechanism for M&E will contribute to efficiency and effectiveness with least duplication of effort. NZAID and AusAID will engage with the CIGov, particularly OPM and AMD, in the early months of JCS implementation to:

- better understand and clarify CIGov expectations and plans with respect to results-based performance management;
- explore the commitment, capacity and resources of CIGov for developing a results-based framework for the NSDP;
- consider the implications of the decision to pilot the JCS' results-based M&E in the context of the NSDP;
- consider how donors can best support the CIGov in developing a greater performance measurement and management orientation, and building the skills and experience for this

The initial step in this process will be a readiness assessment<sup>18</sup> (see Appendix 6) to assess

- the demand for a results-based M&E system in the CI;
- the roles, responsibilities and existing structures for M&E; and
- the capacity building requirements

The partners will then agree key outcomes and performance questions; develop indicators together with baselines and targets wherever this is currently feasible; and develop plans for monitoring, evaluation & reporting for the JCS, to align with work on the NSDP. These steps will be completed within the first 6 months of the implementation of the JCS. Indicators, baselines, targets and arrangements for monitoring, evaluation and reporting against the JCS and NSDP will be progressively improved and refined as understanding of, and capacity for, results-based M&E are improved.

Monitoring will also include a review of the JCS in the third year of implementation (or as appropriate to link with the NSDP review and planning cycle). This will guide any

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<sup>17</sup> For formal definitions and explanations, see the Glossary.

<sup>18</sup> Readiness assessment addresses three key questions: What is the demand for a results-based M&E system; What are the roles, responsibilities and existing structures for M&E; What are the capacity building requirements?

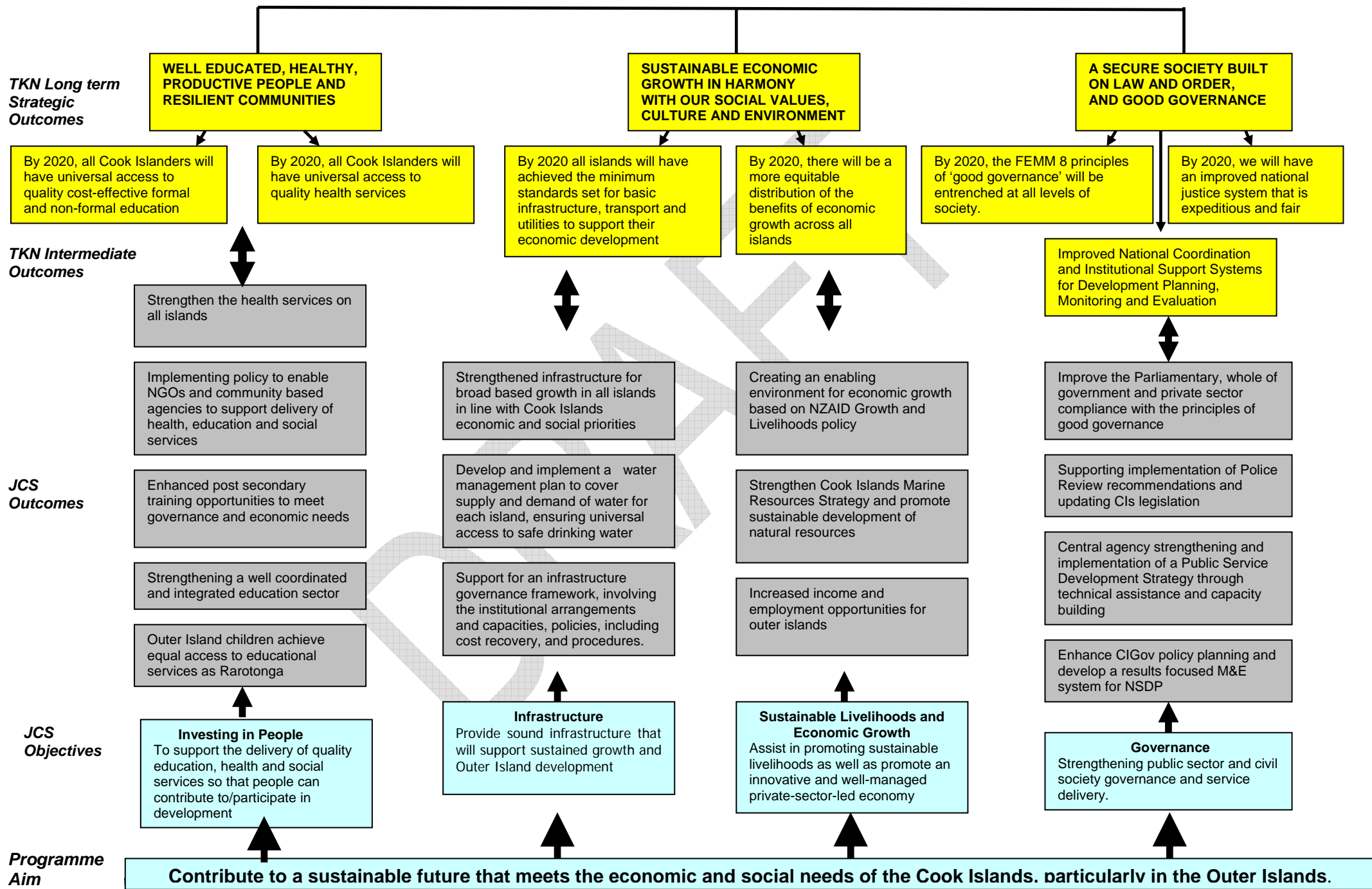
necessary changes to the programme to ensure it remains focused on achieving its goal and is responsive to changing circumstances.

## **APPENDICES**

### **Appendix 1 JCS Logic Model**

# Appendix 1 - JCS logic v3

## Building Resilience and Reducing Vulnerability



## Appendix 2 Risk Analysis Matrix

Risk management is a planned, systematic and continuous process that identifies and manages risks. The analysis prioritises the risks according to their impact, probability and degree to which they can be controlled.

<b>External Level Risks</b>	Probability	Impact	Risk Mitigation & Management	Monitoring
Downturn in tourism damages economy – unemployment, can't sell products to tourist industry, govt revenue reduced & can't provide services	Medium	High	Diversify economy Manage issues that could impact on tourism, such as dengue fever and water quality	news reports, annual national budget, EVI,
Increased fuel prices make tourism & exports less profitable, cost of living higher & OI life harder/less viable	Medium	High	Develop alternative energy sources, fuel efficiency, regional cooperation in purchasing; Diversify economy	news reports, annual national budget
<b>Country Level Risks</b>				
Limited capacity to implement NSDP effectively	Medium	High	Capacity building of public service Constantly reviewing Ministry performance - roles, functions, responsibilities regarding NSDP; Constantly reviewing the system – BPS, SP, Sector Plans to be aligned to NSDP Develop and implement an RBM Framework;	NSDP/JCS review indicators
Depopulation leads to reduced labour force which also hinders the implementation of NSDP;	Medium	High	Develop a repopulation strategy;	Statistics Census,
Political instability makes govt less effective	Medium	Medium	Strong public service can maintain direction of agreed multi-year programmes; Strong civil society keeps government accountable and demands good governance; Population less reliant on government	News reports,
Human activity damages environment, undermining tourism, economy & viability of communities	Medium	Medium	Environmental impact assessment before activities begin; appropriate design & controls, community education programmes; Programme support to tourism to assist with assessment of risks to the environment and to implement strategies to minimise the impact of human activity on the environment	Monitor environment as cross-cutting factor in programmes; news reports

High Vehicle population increases carbon emission – increases traffic accidents,	Medium	High	Improve legislation to monitor safe usage of roads; Increase awareness and road safety campaigns;	Number of Vehicle Registrations at BCI, Traffic Accident Report – Police, EVI.
Govt budget allocations not in support of NSDP priorities.	Low	Low	Policy dialogue between NZ/Aus and CIGov; NZAID/AusAID assistance continues to support NSDP priorities; Strong civil society pressures govt to increase budget allocations to agreed priorities	Annual budget process of NSDP, NSDP/JCS review indicators
Pandemics such as Dengue Fever, Algae Bloom and SARS and Evian Flue affects tourism sector, and the community.	High	High	Mitigation through improved proper awareness programs, preparedness and response mechanisms;  Improved sewage and waste management system including proper monitoring of fertilizers and pesticides could reduce the Algae Bloom;	Health Statistics, EVI
Natural disaster damages infrastructure & economy	High impact cyclones rare	Variable	Mitigation through strong disaster risk management processes, preparation and planning; provide immediate, appropriate support if asked; integrate ongoing support into programme with increased funds &/or flexibility to adapt to new priorities	News reports from CI and NZ MCDEM,
<b>Programme Level Risk</b>				
Human & financial constraints reduce effectiveness	Medium	High	Provide short term implementation support while building capacity, with appropriate (time & method) handovers; Match finances to objectives effectively; Build M&E capacity; Build flexibility into the programme to manage if activities are delayed or stopped	Regular programme reports
CIGov/local org unable to take leadership & management role in programmes	Medium	Medium	Delivery modalities allow for local leadership; Take time over design phase, not push too fast, support until CI can take over; Ensure any advisers focus on CIGov/local organisation and people taking the lead; Build on existing capacity	Annual talks and biennial high level talks
Inadequate donor coordination	Medium	Medium	Support AMD to lead coordination, conduct multi-donor meetings; NZ lead if asked &/or in interim	Reviews & evaluations
Programmes & benefits not	Low	High	Programmes are appropriately designed and managed for	Appraisals of

sustainable if donor withdraws			the context; Infrastructure recurrent costs taken into account before activity approved; Programme designs build in ongoing costs until govt/local group can take over; Systems put in place with agreement & ownership by local organisation	designs, monitoring, review and evaluation reports
Inadequate M&E doesn't allow for learning & adaptation to improve outcomes & impact	Low	High	Strong M&E framework, effectively implemented; Build M&E capacity	Regular programme reports, reviews & evaluations
CIGov wants frequent changes to aid allocations to meet short term needs	Low	High	Long term commitments (MOU, funding arrangements, contracts) enable steady programme with time to achieve results	Multi-year planning and budgeting process
CIGov budget allocations don't support agreed priorities	Low	Medium	Policy dialogue Programme flexible enough to adapt Government moving from an annual planning and budget setting process to a national medium term strategy;	Annual budget process of NSDP

### **Appendix 3: Regional Activities and Other Donors in 2007**

#### Regional activities funded by NZAID and/or AusAID which include CI:

##### Education:

University of the South Pacific

Pacific Regional Initiative for the Delivery of Basic Education (PRIDE)

Secretariat of the Pacific Community (SPC) vocational training programmes

Re-thinking Pacific Education for Pacific Peoples by Pacific Peoples (RPEIPP)

Research: Sustainable livelihoods and Education Project (SLEP)

##### Health:

SPC - communicable disease prevention and control activities; nutrition and lifestyle health activities; Pacific Regional HIV/AIDS Strategy

WHO – NCD and diet, physical activity and health

UNICEF – Expanded Programme of Immunisation; Pacific Life skills

UN Fund for Population Activities – Adolescent Reproductive Health;

Tobacco Control

Pacific Disability Foundation

Pacific Islands Aids Foundation; AusAID Pacific Regional HIV/AIDS Small grants

Asia Pacific Leadership Forum

Workforce Capacity Building through Fiji School of Medicine, Pacific Paramedical Training Centre; Pacific Health Research Council

##### Law and Justice:

Pacific Regional Governance Programme (PGSP)

Pacific Regional Policing Initiative (PRPI)

Pacific Judicial Development Programme (PJDP)

Defence Cooperation Programme

Pacific Programme for the Prevention of Domestic Violence (PPDVP)

##### Other:

Pacific Initiative for the Environment (PIE)

NZ Government Agencies Fund (formerly ODA Contestable Fund) – Health Research Council and National Institute of Water and Atmospheric Research

NZ Ministry of Civil Defence and Emergency Management

Pacific Islands Forum Secretariat, South Pacific Applied Geoscience Commission, South Pacific Regional Environment Programme, Forum Fisheries Agency,

### Appendix 4 Table of Indicative Donor Support to Cook Islands 2006/07 (note: \$000)

Sectors and CIGov Budget Allocations → Donor Contributions ↓	Education CIGov 10.5m	Health CIGov 9.4m	Environment CIGov 1.2m	Governance, Law & order, Security and Public sector reform	Women youth & children CIGov 367	OID CIGOV 11.7m (4.2m Infra)	Policy Development	Civil Society and Non State Actors Various POBOCs @ 285	Infrastructure/Agr Capex @ 4.0m	Cyclone Recovery (none from CIGov this year)
New Zealand/Australia (NZ \$11.9m) Includes over programming	Educ Supt Prog 1.5m Refurbishment 750 DNHRD Dev 1.2m Scholarships 600	MSV 140		Partnerships P 240 PSTAF 250 Police review 80 CIMRIS Project 1.0m	GAD 50	OID Infra 1.9m SME Support 50	Migration Proj 100 PHA 50 Country Strat 75 MSV Review 25	NGOs (PTI, NCW,CIRC,CC) 335 Disabilities 210 CIS 250		CRRP 3.0m (10.0m over 3 yrs)
EU (\$3.1m)	School facilities MoE 445 DNHRD 197	Health facilities 804					MFAI 80	NSA's incl women/yth 373		Cyclone Asst. 1.2m
NZ Defence Australia Defence (\$580)				NZ TA Patrol 120 Aus Patrol Supt 460						
PRC (4.0m)									Infra 4.0m	
Britain (15)						15				
Canada (50)								50		
UNDP (\$3612)			Environment 214				OPM (MDG) 148			
UNESCO (230)							MFAI Participation Program 230			
WHO (680)		680								
SPREP (90)			Int Waters 59 Montreal Protocol 31							
SPC (37)									Agricult 37	
UNFPA (52)		48					Internal Affairs 4			
ADB (222)										Disaster Management/Mitigation TA 222
TOTALS \$21.0m										

## Appendix 5 Glossary

### Broad-based Growth

Broad-based growth encompasses a whole country and economy. It focuses on growth in the sectors on which people in hardship depend and regions in which they live. In many countries this is rural areas and activities which depend on the natural resource base (eg agriculture, forestry, fisheries and tourism). However, there are also growing pockets of poverty in informal urban settlements, which require different solutions<sup>19</sup>.

### Good Governance

The goal of good governance programmes is a government responsive and accountable to the people, as well as an engaged and active citizenry whose ultimate oversight complements the accountability institutions of state, such as Parliament. The demand for reform, for high level political goals such as transparency and the desire for inclusiveness need to be internalised and owned by government, the public and private sector, and civil society, if good governance is to take root<sup>20</sup>.

### Institutional Strengthening

Institutions govern individual and collective behaviour. They may be formal - legal systems, property rights, enforcement mechanisms; or informal – customs, traditions. They may operate at different levels –international (e.g.: WTO rules), national (e.g. laws, constitutions), social (e.g. norms of conduct, status of women), family (e.g. inheritance rules). They may nest within larger institutions – e.g. village-based collective institutions nested within the policy institutions of government. Organisations are ways of structuring society to achieve certain purposes/goals. Institutional Strengthening is therefore the development of formal and informal processes that guide people's behaviour and interaction, both within/between organizations and in the wider society, in order to achieve their purposes/goals<sup>21</sup>.

### Macro policy support

Macro policy support is untagged budget support to a partner government with associated development policy dialogue<sup>22</sup>, eg to ensure pro-poor growth. Funds support the partner government's development policies and are directly transferred to the partner's budget or a trust fund. This modality uses the partner government's management and financial systems to the maximum extent possible and usually includes support for capacity development in the partner government.

### Monitoring and Evaluation

In the context of managing for development results, monitoring includes the collection of information on outcomes and impact as well as tracking resources, activities and outputs. Monitoring is the systematic collection of data to provide indications of how allocated funds are being used and progress towards achievement of expected outcomes.

Evaluation (understood to include both review and evaluation) complements monitoring by:

- providing a better understanding of what is being achieved
- Indicating whether an intervention is "on track" or likely to meet the purpose for which it was planned
- identifying how implementation can be improved
- checking that the overall direction is still relevant

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<sup>19</sup> NZAID, 2007. NZAID Growth and Livelihoods Policy (draft).

<sup>20</sup> NZAID, 2007. Governance and the Role of Civil Society – Discussion Paper for NZAID.

<sup>21</sup> NZAID, 2007. Strategy, Advisory and Evaluation Group Discussion, July 07.

<sup>22</sup> NZAID, 2007. Aid Modalities Tool (draft).

- assessing outcomes and/or impacts.
- revealing why results are being achieved or why not.

#### Sector-Wide Approach (SWAp)

A sector-wide approach represents two inter-linked concepts: 1) planning and implementation of activities incorporates all aspects of a sector, including capacity of personnel, stakeholder consultation, financing, institutional strength, and so on; 2) this way of working emphasises partner country ownership and leadership, use of partner country systems, working together in support of common goals and the achievement of tangible development outcomes. In a SWAp, donors give up their control over specific project interventions while gaining participation in policy dialogue and broader budget framework negotiations.<sup>23</sup>

#### Targeted Sector Support with Macro-Policy Engagement

Targeted sector support is channelled directly to partner governments for spending using their own allocation, procurement and accounting systems and is not linked to specific project activities. There is a lump sum transfer of funds following policy dialogue and possibly with conditionality. Additional reporting to donors (beyond normal government accounting) may be required, and additional technical assistance and capacity building may be provided.<sup>24</sup> One example of targeted sector support is a sector-wide approach (SWAp).

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<sup>23</sup> UNICEF, 2007. Planning of the Second Primary Education Programme in Bangladesh.

<sup>24</sup> Evaluation of General Budget Support – Synthesis Report. NZAID 2007

# M&E in the context of Managing for Development Results

