



Concept Paper

Project Number: 55014-001
September 2021

Proposed Policy-Based Loan

Cook Islands: Supporting Sustainable Economic Recovery Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 25 August 2021)

Currency unit	–	New Zealand dollar (NZ\$)
NZ\$1.00	=	\$0.69
\$1.00	=	NZ\$1.44

ABBREVIATIONS

ADB	–	Asian Development Bank
BET	–	Border Easement Taskforce
COVID-19	–	coronavirus disease
CRA	–	Competition and Regulatory Authority
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MFEM	–	Ministry of Finance and Economic Management
OCR	–	ordinary capital resources
PFO	–	precautionary finance option
QFT	–	quarantine-free travel
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of the Cook Islands and its agencies ends on 30 June. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2020 ends on 30 June 2020.
- (ii) In this report, "\$" refers to United States dollars, unless otherwise stated.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 55014-001	
Project Name	Supporting Sustainable Economic Recovery Program	Department/Division	PARD/PASP
Country Borrower	Cook Islands	Executing Agency	Ministry of Finance & Economic Management
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55014-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55014-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Economic affairs management		40.00
	Public administration		20.00
	Public expenditure and fiscal management		20.00
		Total	80.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity			
✓ Fostering regional cooperation and integration			
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.b		Effective gender mainstreaming (EGM)	✓
SDG 3.d			
SDG 5.b			
SDG 8.3, 8.8, 8.9			
SDG 9.c			
SDG 16.6			
SDG 17.1, 17.4			
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization:	Complex		
5. Safeguard Categorization	Environment: C	Involuntary Resettlement: C	Indigenous Peoples: C
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		80.00	
Sovereign Program (Regular Loan): Ordinary capital resources		80.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		80.00	
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. The Supporting Sustainable Economic Recovery Program will help the Cook Islands restore fiscally sustainable growth led by the private sector, which has been adversely affected by the coronavirus disease (COVID-19) pandemic. The program aims to (i) improve fiscal management and sustainability, and (ii) strengthen the enabling environment for the private sector. It aligns with Asian Development Bank (ADB) Strategy 2030 operational priorities of strengthening governance and institutional capacity, accelerating progress in gender equality, and fostering regional cooperation and integration.¹ It is consistent with the country operations business plan for 11 small Pacific island countries, 2021–2023 and Pacific Approach, 2021–2025.²

2. A policy-based loan of \$80 million is proposed to support the government's ongoing reform program to restore longer-term economic growth and fiscal sustainability while meeting urgent development financing needs. A single tranche stand-alone policy-based loan is considered appropriate since the economic recovery is uncertain, and the Cook Islands does not routinely use loans to meet development finance needs because of debt sustainability considerations.³ An initial drawdown of \$40 million in 2021 will meet the Cook Islands' immediate financing needs. Since financing needs will be largely determined by the degree to which a tourism recovery can be sustained, the remaining \$40 million will be made available for potential future drawdowns based on pre-defined conditions, through a precautionary financing option (PFO).

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Background.** The Cook Islands' population of about 17,580 (in 2020) is spread across 15 remote South Pacific islands and 2 million square kilometers of ocean. It is one of the region's most tourism-dependent countries, with receipts of 61.4% of gross domestic product (GDP) in fiscal year (FY) 2019. The shift towards tourism has led to rapid development, with basic needs poverty falling from 28.4% in 2006 to 8.4% by 2016.⁴ Growth is hampered by several factors including a small population, narrow economic base, high exposure to disaster and climate risks, weak business climate, capacity constraints, and high public administration and infrastructure costs. The Cook Islands has no access to international or local credit markets, is not a member of the International Monetary Fund (IMF) or World Bank and does not have a central bank to provide emergency liquidity—leaving very limited options for support should the nascent recovery unwind.

¹ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

² ADB. 2020. [Country Operations Business Plan: 11 Small Pacific Island Countries, 2021–2023](#); Manila; and ADB. 2021. [Pacific Approach, 2021–2025](#). Manila. This program is consistent with the Pacific Approach objectives of preparing for and responding to shocks and supporting inclusive growth. It is included in the country operations business plan.

³ The Cook Islands has used ADB policy loans only following major contractions: in 1996 with the Economic Restructuring Program (1996) and after the 2008 financial crisis with the Economic Recovery Support Program (2009 and 2012). A programmatic approach is not used for this program because the initial disbursement will meet immediate development financing needs, and if the recovery continues, a second subprogram would not be needed (based on debt sustainability considerations). However, if the economic situation deteriorates rapidly, the timing of a second subprogram could delay disbursement. The policy-based loan modality was selected over a countercyclical support facility to maintain reform momentum, to be sustained through a post-program partnership framework. ADB. 2002. [Program Performance Audit Report on the Economic Restructuring Program \(Loan 1466-COO\) in the Cook Islands](#). Manila; and ADB. 2009. [Cook Islands: Economic Recovery Support Program, Subprogram 1](#).

⁴ Government of the Cook Islands. 2016. [Household Income and Expenditure Survey, 2015-2016](#). Rarotonga.

4. **Macroeconomic management.** Before the pandemic, the Cook Islands implemented sound economic policies that contributed to an average GDP growth of 6.7% over FY2016–FY2019. The fiscal surplus averaged 4.6% of GDP over this period, enabling accumulation of cash reserves of \$91.0 million (25.8% of FY2020 GDP), with \$13.0 million legislatively protected to meet debt servicing requirements. Under the Cook Islands Fiscal Framework, the fiscal deficit must not exceed 1.9% of nominal GDP—the Cook Islands has adhered to this framework in 19 of the 20 years prior to COVID-19.⁵ Total revenue increased from 36.4% of GDP in FY2016 to 42.3% in FY2019. Expenditure was contained, averaging 37.5% of GDP over FY2016–FY2019. Public debt was 17.1% of GDP in FY2020, down from a peak of 26.4% of GDP in FY2016.

5. Although the Cook Islands had no COVID-19 cases locally, the pandemic-induced border closures caused significant declines in international tourism and tax revenue, threatening a fiscal liquidity crisis. GDP fell 5.9% in FY2020 and an estimated 26.0% in FY2021, to almost one-third lower than the pre-pandemic levels. Government tax collection (71.9% of FY2019 revenue) declined by an estimated 42.0% in FY2021. Together with countercyclical support and increased health expenditures, the fiscal deficit increased to \$75.3 million (28.5% of GDP) in FY2021. ADB assistance measures supported the government response.⁶ The fiscal deficit is expected to be contained at 14.3% of GDP in FY2022, but with low cash reserves, public debt is expected to increase to 49.6% of GDP.⁷

6. **Fiscal sustainability challenges.** COVID-19 has forced the government to temporarily deviate from its Fiscal Framework parameters (footnote 5). The government must re-establish a new medium-term fiscal strategy to ensure fiscal consolidation and long-term sustainability. Managing cash reserves will be important, because of the lack of access to credit and capital markets. A liquidity crisis would disrupt essential services, public sector employment, and support to the private sector—undermining recovery.⁸ Present frameworks to manage monthly cashflows are underdeveloped and need a better model to monitor and preempt a crisis. Tax arrears peaked at \$30 million in FY2020, and improved tax compliance will assist the recovery in the cash and fiscal position. While the government has made progress, the public expenditure and financial accountability assessment indicates room for improvements, for example, in timeliness and transparency of audit reporting and the independence of the audit office to enhance public trust in government public financial management.⁹

7. **Constraints facing the private sector.** COVID-19 border restrictions severely impacted

⁵ Government of the Cook Islands. Ministry of Finance and Economic Management Act 1996 (as amended). Rarotonga; and Government of the Cook Islands. [Cook Islands Government Budget Estimates 2021/22: Book 1](#). Rarotonga. The deficit can exceed 1.9% in case of a disaster or a severe economic growth shock of –2% or less.

⁶ ADB provided \$10.06 million under the Pacific Disaster Resilience Program (Phase 2) and \$20 million under the COVID-19 Active Response and Economic Support Program. The Asia Pacific Disaster Response Fund provided \$1 million, and ADB TA provided \$270,000 for essential medical equipment. To enable credit support measures to proceed, the Pacific Private Sector Development Initiative supported drafting of the COVID-19 (Economic Response) Act 2020. ADB also undertook a rapid social assessment to evaluate COVID-19 impacts on vulnerable groups and the impacts of government income support. ADB. [Cook Islands: Pacific Disaster Resilience Program \(Phase 2\)](#); ADB. [Cook Islands: COVID-19 Active Response and Economic Support Program](#); ADB. [Regional: COVID-19 Emergency Response](#); ADB. [Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases](#); and ADB. [Pacific Private Sector Development Initiative, Phase IV](#).

⁷ Sector Assessment (Summary): Public Sector Management (accessible from the list of linked documents in Appendix 2).

⁸ A government liquidity and debt crisis stemming from an economic contraction precipitated the last major economic crisis in the Cook Islands in 1996, when the population declined 5.7% across the 5 years to 2001. ADB. 2002. [Program Performance Audit Report on the Economic Restructuring Program in the Cook Islands](#). Manila.

⁹ Cook Islands Government, Pacific Financial Technical Assistance Centre. 2021 (forthcoming). *Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report 2021*. Rarotonga.

tourism. Quarantine-free travel (QFT) with New Zealand (67.2% of Cook Islands' FY2019 tourism market) was established on 17 May 2021 and, to support recovery, it is critical to quickly resolve disruptions.¹⁰ The private sector, especially tourism, has required extensive immigration to meet labor shortages, but the process is lengthy, nontransparent, and not codified in law.¹¹ After QFT commenced, 5.0% of Cook Islands residents left for opportunities in New Zealand, exacerbating labor shortages. Many businesses cannot source labor locally or from traditional labor markets in the immediate term because of border closures. For longer-term economic growth led by the private sector, the high cost of doing business is a major constraint. Business registry services and registering security over movable assets are cumbersome and paper-based, adding to business costs. High costs of basic utilities also pose challenges. In telecommunications, the monopoly provider is unregulated and provides poor connectivity at a high cost compared to peers, impairing investment in information technology and retail opportunities in tourism.¹² Despite with the recent completion of the Manatua One Polynesia submarine cable, improved service delivery remains hindered by limited regulation, oversight, and no competition.

8. **Economic recovery.** ADB assesses the general direction of macroeconomic policies to be satisfactory. Under a revised medium-term fiscal strategy, being finalized under the program, the government will continue fiscal consolidation through to FY2023, with expenditure stabilizing thereafter as tourism and government revenue returns to pre-COVID-19 levels by FY2025.¹³ With prudent border management and program reforms, GDP growth is estimated to rebound to 7.1% in FY2022 and 11.2% in FY2023 from a low base, with a return to long-term growth from FY2024. Preliminary estimates show declining financing needs in the medium term, as recovery takes hold.¹⁴ Risks remain tilted to the downside, with financing needs tied closely to QFT (para 19).

B. Policy Reform, ADB's Value Addition, and Sustainability

9. **Government strategy.** The Economic Development Strategy 2030 seeks to address constraints to inclusive and sustainable growth, including through improved macroeconomic and fiscal management, public service delivery, and private sector growth.¹⁵ The government has also moved to mitigate economic and social impacts of COVID-19 to sustain private sector capacity.

10. **Program description.** The proposed program will help the government transition from immediate crisis response to fiscally sustainable private sector-led growth by delivering two reform areas (paras. 11–12). The government has progressed its longer-term reform agenda despite capacity limitations and diversion of resources for the ongoing response to the severe socioeconomic impacts of COVID-19. Specific policy actions address the government's own needs and priorities, in response to policy challenges intensified by COVID-19.¹⁶

11. **Reform area 1: Fiscal management and sustainability.** This program will support approval and implementation of an updated medium-term fiscal strategy for FY2022–FY2025, consistent with macroeconomic and debt sustainability. The government will implement a

¹⁰ QFT commenced on 17 May 2021 with cumulative tourist inflows for May and June at 25% of pre-pandemic levels, and July reaching 66.7%. QFT was suspended on 17 August 2021 following a community case of COVID-19 in New Zealand. The vaccination rate on 26 August 2021 was 96% for the adult population (16 and above).

¹¹ Around 18% of the workforce and a third of tourism employment were migrants in 2011. United Nations Population Fund. 2015. [Economic Activity and Labour Force Analysis of the 2011 Population and Housing Census](#). Rarotonga.

¹² ADB. [Cook Islands: Improving Internet Connectivity for the South Pacific](#).

¹³ The Government of the Cook Islands. [Cook Islands Government Budget Estimates 2021/22: Book 1](#). Rarotonga.

¹⁴ A preliminary debt sustainability analysis shows debt-to-GDP to decline in the medium term.

¹⁵ Government of the Cook Islands. 2021. [Economic Development Strategy 2030](#). Rarotonga.

¹⁶ The preliminary policy design and monitoring framework is in Appendix 1. The government's reform program will be described in the development policy letter, to be obtained by loan negotiations.

consolidated 3-year modeling framework for cash management and monitoring, together with the Cash Management Committee,¹⁷ enabling action in advance of a liquidity crisis. The program will support approval and implementation of a strategy to improve tax compliance and enhance domestic resource mobilization. The program will improve the timeliness of audit reporting to support scrutiny of fiscal management and support credibility of public finance.

12. **Reform area 2: Enabling environment for the private sector.** The program will support implementation of a comprehensive set of measures to establish and continue QFT with New Zealand, which is essential for recovery, under the oversight of the Border Easement Taskforce (BET).¹⁸ To address immediate labor shortages, the government will promote labor mobility by allowing migrant workers to seek alternative employment beyond their visa-sponsoring employer. To improve transparency around visa categories and approvals for migrant labor, alleviate longer term labor shortages, and codify migrant worker protections, the government will prepare and approve a new immigration bill. To reduce costs of doing business, the government will implement regulatory changes and an online integrated platform to allow the filing of and access to business registry services and registering of security interests over movable assets to support business investment. The enactment of the Telecommunications Act 2019 and supporting regulations will promote competition in the sector, improve service delivery, and reduce costs to businesses. The government will establish and operationalize an independent Competition and Regulatory Authority (CRA) to oversee monopoly pricing, administer licensing, and ensure competition.

13. **Partner coordination.** ADB has coordinated closely with development partners, particularly the Government of New Zealand, which disbursed a NZ\$30 million (\$21.2 million) grant in August 2021, to support the economic and fiscal recovery. The IMF Pacific Financial and Technical Assistance Centre is supporting revenue management reform.

14. **ADB's value addition.** The program builds on reforms supported by ADB technical assistance (TA) and programs. ADB TA and staff continue to support the Ministry of Finance and Economic Management (MFEM) with economic modeling, strategic planning, and cash and fiscal monitoring, which supported the preparation of the medium-term fiscal strategy.¹⁹ ADB peer reviewed the 2021 public expenditure and financial accountability assessment to identify reform priorities. In addition to supporting the government COVID-19 response (para. 5), ADB provided loan financing for the Manatua deep-sea cable that catalyzed telecommunications reform.²⁰ ADB TA was central to providing policy, technical, and legislative support for the telecommunications reforms and establishing the CRA as well as the online business registry.²¹

15. **Regional cooperation and integration.** Tourism recovery and immigration reform under the program will support migrant workers, integrate regional labor markets, and promote trade. The QFT has served as a model for reopening tourism in Niue.²²

¹⁷ The cash management committee includes Treasury Management Division of the MFEM (chair), Revenue Management Division, Economic Planning Division, Major Projects Division, and the Government of New Zealand.

¹⁸ The BET is accountable directly to the Prime Minister and makes recommendations to the Cabinet regarding COVID-19 control measures and border management. Members are the secretaries of the Ministry of Foreign Affairs and Immigration (chair), Ministry of Health, MFEM, Cook Islands Tourism Corporation, Office of the Prime Minister, Public Service Commission, and Crown Law. Key initiatives include establishing a COVID-19 website to communicate COVID-19-related updates, launching a contact tracing mobile application, training frontline health and immigration staff on enforcing COVID-19 measures (and administering the COVID-19 vaccine, in the case of selected health workers), and establishing a testing laboratory.

¹⁹ ADB. [Regional: Supporting Public Sector Management Reforms](#).

²⁰ ADB. [Cook Islands: Improving Internet Connectivity for the South Pacific Project](#).

²¹ ADB. [Regional: Pacific Private Sector Development Initiative, Phase IV](#).

²² The QFT model is being monitored by Samoa and Tonga.

16. **Sustainability and lessons.** Regular dialogue helped institutionalize reforms and provide opportunities to build on government-led processes. ADB will develop a post-program partnership framework during the fact-finding mission, drawing on ADB TA as appropriate. Based on lessons learned, the program includes policy actions prioritized by the government to avoid overloading limited capacity, builds on earlier and ongoing reforms for sustainability, limits actions to a few key areas, focuses on fiscal sustainability and short-term.²³ ADB will continue to coordinate closely with partners to provide complementary TA to implement reforms.

C. Expected Outcome of the Reform

17. The program is aligned with the development objective of a dynamic, prosperous, and inclusive economic future (footnote 15). Program reforms will (i) improve fiscal management through better monitoring, targeting, and transparency; and (ii) strengthen private sector growth by restoring tourism activity, improving access to labor, and reducing costs of doing business.

D. Development Financing Needs and Budget Support

18. **Development financing needs.** After New Zealand's grant (para. 13), the FY2022 fiscal deficit is estimated to be \$43.0 million (14.3% of GDP) in the baseline scenario, where QFT returns to being operational from November 2021. Without further external assistance, government cash reserves are estimated to fall below one month of operating requirements in December 2021 and be fully exhausted by February 2022. With \$40 million in loan financing by December 2021 through the proposed ADB program, cash reserves at the end of FY2022 will be almost 2 months of operating expenditures—slightly below the government cash target of 3 months but meeting the government's immediate development financing need.

19. **Need for precautionary financing.** If community transmission of COVID-19 in New Zealand is not contained or other factors disrupt QFT, economic recovery could unwind quickly. In that case, the fiscal deficit is estimated to widen rapidly from \$43.0 million in the baseline scenario to over \$81.0 million (or more) if the border were to close for 6 months (or more).

20. The government has requested a loan not exceeding \$80 million from ADB's ordinary capital resources to finance the program, with \$40 million of the loan amount available as a PFO. The PFO triggers will be based on government cash reserves and tourism arrivals, to be refined during due diligence, and continued satisfaction of the program's policy actions. The PFO will have an availability period of 36 months from loan approval, to allow sufficient time for recovery to take hold. The government will explore alternative financing sources before drawing on the PFO, and its release will also be contingent on continued implementation of the program's policy actions. ADB loan proceeds will support development financing needs, excluding ineligible items.

E. Implementation Arrangements

21. The MFEM will be the executing agency and provide biannual reports to ADB to monitor the program. Implementing agencies include the MFEM, Ministry of Foreign Affairs and Immigration, BET, and CRA. Although the government faces general capacity constraints, risks are mitigated because government priorities are fully aligned to program actions. ADB is providing TA resources to supplement the government's capacity in private sector governance, public

²³ Independent Evaluation Department. 2015. [Corporate Evaluation Study: ADB Support to Small Pacific Island Countries](#). Manila; and ADB. 2011. [Policy Brief: Policy-Based Programs for the Pacific Islands](#). Manila; ADB. 2002. [Program Performance Audit Report on the Economic Restructuring Program in the Cook Islands](#). Manila.

financial management, strategic planning, and fiscal monitoring.²⁴ The program implementation period is from December 2019 to December 2021. The loan and grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

III. DUE DILIGENCE REQUIRED

22. Due diligence for the program, to be prepared collaboratively with partners, will include a risk assessment and mitigation plan and an enhanced sector assessment. ADB will undertake an updated debt sustainability analysis and define quantifiable and verifiable PFO triggers.

23. The program is proposed as *effective gender mainstreaming*. Improved fiscal management will ensure ongoing operations and that public sector workers (55.8% women) continue to be employed. Business reforms through the integrated business platform will improve access of women entrepreneurs to registry services without the use of lawyers or other proxies. Immigration reforms will benefit migrant labor (including women) in employment mobility and labor protections. Further proactive gender elements will be explored during program preparation. The program is expected to be rated category C for all safeguard categories.

IV. PROCESSING PLAN

A. Risk Categorization

24. The program is *complex* owing to (i) the loan size potentially being above \$50 million, and (ii) the use of a PFO in the program design. ADB has a sound record of engagement in public sector management in the Cook Islands (footnote 23), and the MFEM has reasonable capacity and experience with development partner financing (including from ADB).

B. Resource Requirements

25. ADB estimates that the program will require 15 person-months of staff time.

C. Processing Schedule

Proposed Processing Schedule

Milestones	Expected Completion Date
Concept approval	September 2021
Fact-finding mission	6–10 September 2021
Informal Board Seminar	27 September 2021
Management review meeting	5 October 2021
Loan negotiations	11 October 2021
Board consideration	8 December 2021
Loan effectiveness	17 December 2021

Source: Asian Development Bank.

V. KEY ISSUES

26. The PFO triggers must encompass a range of known and unknown scenarios but be verifiable and targeted. A full debt sustainability analysis will be undertaken under the baseline scenario (para. 18) and with drawdown of the PFO, and be included as a linked document to the report and recommendation of the President.

²⁴ ADB. [Regional: Pacific Private Sector Development Initiative, Phase IV](#); and ADB. [Regional: Supporting Public Sector Management Reforms](#).

PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objectives Working together to build a dynamic, prosperous and inclusive economic future for Cook Islanders, that is in harmony with our culture and environment (Cook Islands Economic Development Strategy 2030) ^a	
Outcome Fiscally sustainable private sector-led economic growth in the Cook Islands restored	Risks and Critical Assumptions R1: Quarantine-free travel does not result in a recovery in tourist arrivals and the economic and fiscal situation deteriorates further. R2: Community spread of COVID-19 or its variants locally and/or in major tourism source markets derails quarantine-free travel arrangements. R3: Further economic shocks, including those from natural hazards or other health risks, derail the economic and fiscal recovery.
Indicative Policy Actions^b: December 2019–December 2021	Outcome Indicators
Reform Area 1: Fiscal management and sustainability	
1.1. The Cabinet will approve and MFEM will commence implementation of a new medium-term fiscal strategy that includes cash, debt, and fiscal targets to help meet government's debt management goals consistent with macroeconomic stability and supporting economic growth for FY2022–FY2025.	By December 2022: <ul style="list-style-type: none"> a. No new non-concessional borrowing to meet the financing gap (2019 baseline: 100% of new external borrowing is on terms above 35% concessionality) Source: MFEM annual financial statement
1.2. The MFEM will (i) adopt and commence implementation of a new consolidated 3-year modeling framework for cash management, forecasting and monitoring; (ii) strengthen interagency coordination; and (iii) provide timely modeling and advice to the Minister of Finance, Secretary of Finance, and development partners on the government cash position through the Cash Management Committee ^c to enable quick action in case of deteriorating economic conditions, supporting continued public sector operations and employment (55.8% women employees).	<ul style="list-style-type: none"> b. Government cash reserves are maintained above 1 month of operating requirements at the beginning of each month (2019 baseline: Cash reserves above 3 months of operating requirements) Source: MFEM monthly financial reporting c. Reduction in outstanding tax arrears (2019 baseline: \$25 million) Source: MFEM annual financial statement d. Audit reports published online, starting from FY2015 (2019 baseline: Not published) Source: MFEM website
1.3. The tax comptroller will approve and MFEM will commence implementation of a Compliance Improvement Strategy for 2020–2022, to improve tax compliance, intensify arrears collections (from those less affected by the pandemic), and accelerate the issuance of refunds.	<ul style="list-style-type: none"> e. Audit report for FY2021 and FY2022 completed within 12 months of the end of financial year (2019 baseline: 24 months) Source: MFEM website

Indicative Policy Actions ^b : December 2019–December 2021	Outcome Indicators
1.4. The Cabinet will table amendments to the Public Expenditure Review Committee and Audit Act in Parliament to improve the timeliness and transparency of audit reporting and protect Audit Office staff from prosecution when performing their official duties.	
Reform Area 2: Enabling environment for the private sector	
<p>1.5. The government will implement, under the oversight of the multi-agency Border Easement Taskforce (accountable directly to the Prime Minister), a comprehensive set of initiatives to support Cook Islands' readiness to receive visitors and to ensure that the quarantine-free travel arrangement with New Zealand is achieved, maintained, and any disruptions addressed, in order to support the economic and fiscal recovery, as well as employment in the tourism sector (60.5% women).^d</p> <p>1.6. The government will implement flexibility for migrant worker permits from July 2021, allowing for greater labor market mobility for migrant workers (to seek employment beyond initial visa sponsors) to reduce labor market frictions and labor shortages during the economic recovery, which will benefit migrant workers, around half of whom are women.</p> <p>1.7. The Cabinet will table a new immigration bill in Parliament to improve the transparency and certainty around visa categories and processes, reduce longer term labor market shortages, and codify migrant worker protections, which will benefit migrant workers, around half of whom are women.</p> <p>1.8. The government will implement regulatory changes and an online integrated platform to allow the filing of (and access to) company records, business names, business licenses, and incorporated associations, as well as register security interests over movable assets, to reduce compliance costs for businesses, which will improve access by women entrepreneurs to registry services without the use of lawyers or other proxies.</p>	<p>f. A total of 70% of monthly pre-pandemic tourism arrivals restored (Average 2016–2019 baseline: 13,500 visitors per month) Source: MFEM statistics</p> <p>g. Revised immigration procedures in operation (2019 baseline: Not operational) Source: Ministry of Foreign Affairs and Immigration reports</p> <p>h. 70% of businesses using the online platform to access registry services (2019 baseline: 0%) Source: Ministry of Justice</p> <p>i. Increased number of companies providing retail telecommunications services (2019 baseline: One provider) Source: MFEM reports</p>

Indicative Policy Actions ^b : December 2019–December 2021	Outcome Indicators
<p>1.9. The government will establish regulated competition in the telecommunications sector through:</p> <p>1.9.1. Cabinet tabling the Telecommunications Act, 2019 in Parliament and approving supporting regulations; and</p> <p>1.9.2. The issuance of telecommunications licenses under the Act to increase competitive pressure.^e</p> <p>1.10. The Cabinet will table legislation in Parliament to institutionalize the Competition and Regulatory Authority, including the approval of separate appropriations and the appointment of a chair, in order to assure the independence of the authority to perform its role.</p>	
<p>Budget Support ADB: \$80 million (OCR loan)</p>	

ADB = Asian Development Bank, COVID-19 = coronavirus disease, FY = fiscal year, MFEM = Ministry of Finance and Economic Management, OCR = ordinary capital resources, R = risk.

^a Government of Cook Islands. 2021. *Cook Islands Economic Development Strategy 2030*. Rarotonga.

^b Indicative actions are based on available information at the concept stage. Further detail will be provided in the report and recommendation of the President.

^c The cash management committee includes Treasury Management Division of the MFEM (chair), Revenue Management Division, Economic Planning Division, Major Projects Division, and the Government of New Zealand.

^d The initiatives include establishing a COVID-19 website to clearly communicate COVID-19-related updates, launching a contact tracing mobile application, training frontline health and immigration staff on enforcing COVID-19 measures (and administering the COVID-19 vaccine, in the case of selected health workers), and establishing a testing laboratory. These initiatives not only gained the confidence of New Zealand authorities to open its borders to the Cook Islands but provided the Cook Islands with tools to test, track, trace, and ensure the safety of Cook Islanders and visitors to the country.

^e Increased competition in the sector will reduce prices and improve service delivery, which will benefit telecommunications users, including women.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55014-001-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Public Sector Management