



# Initial Poverty and Social Analysis

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Project number: 55014-001  
September 2021

## 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
COVID-19	–	coronavirus disease
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., FY2021 ends on 30 June 2021.
- (ii) In this report, "\$" refers to United States dollars, unless otherwise stated.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Cook Islands	Project Title:	Supporting Sustainable Economic Recovery Program
Lending/Financing Modality:	Policy-based loan	Department/ Division	Pacific Department, Social Sectors and Public Sector Management Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The Cook Islands has adopted a vision of “Working together to build a dynamic, prosperous and inclusive economic future for Cook Islanders, that is in harmony with our culture and environment”, through the Economic Development Strategy 2030. The program aligns with objective 4: “Investing in Our Islands” in supporting economic growth, fiscal sustainability, tourism growth, and an improved operating environment for the private sector. The program will promote improved fiscal resilience through supporting (i) an updated medium-term fiscal strategy to guide expenditure and financing decisions, consistent with macroeconomic stability, debt sustainability, and supporting the economic recovery, (ii) establishing a Cash Management Committee to monitor and advise on the government cash position based on detailed modelling to avoid a fiscal crisis, and (iii) timely, robust, and publicly available government audit reports to strengthen public credibility of fiscal management. To ensure a recovery in business activity and preserve private sector capacity, the program will support (i) the formation of the Border Easement Taskforce to ensure that the quarantine-free travel with New Zealand is achieved and remains open to tourism travel, (ii) address immediate labor shortages by allowing for greater labor market mobility for migrant workers still residing in the Cook Islands during the COVID-19 pandemic, (iii) a new Immigration Bill to improve transparency and certainty around visa categories and approval process for migrant labor in private businesses, alleviate labor market shortages, and codify migrant worker protections, (iv) reduce the cost of doing business through improved access to registry services and the registration of movable assets to from one integrated platform (v) establish competition in the sector through the Telecommunications Act to improve service delivery and reduce the costs to business and consumers, and (vi) establish and operationalize an independent Competition and Regulatory Authority to regulate monopoly pricing, administer licensing, and ensure competitive tension. These outputs are consistent with the ADB Pacific Approach 2021–25 and ADB’s Strategy 2030.<sup>a</sup>

#### B. Poverty Targeting

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

The program’s impact on growth, public finances, and public sector performance is expected to increase the sustainability of public services that benefit the poor and vulnerable. Increased fiscal buffers should also allow the government to respond more efficiently and effectively to external shocks, which disproportionately affect the poor. The program will promote economic and social inclusion of poor and vulnerable groups by improving labor mobility and labor protections for foreign workers. Growth in private sector activity will support a recovery in local employment.

#### C. Poverty and Social Analysis

1 Key issues and potential beneficiaries. The Cook Islands is highly dependent on tourism as its major growth sector with the tourism receipts equivalent to 61.4% of GDP in FY2019. COVID-19’s impact on tourism has driven a severe economic. This will have significant social and economic impacts especially since 1,556 jobs or 20.9% of the working age population in 2016 were directly employed in tourism, with supporting sectors also being affected.<sup>b</sup> Between 2006 and 2016, extreme poverty has fallen from 2.0% to 0.2% and households below the basic needs poverty line fell from 28.4% to 8.4%.<sup>c</sup> However, these gains are likely to be undermined with the protracted impacts of COVID-19. Physical distancing measures heightened the vulnerability of high risks groups and those reliant on others, including older persons (15% of the population), people with disabilities (28% of the population have at least one type of disability) and those with pre-existing conditions (24.4% of population).<sup>d</sup> People who live in the outer islands have much more limited access to health services, education beyond primary school, telecommunications and internet connectivity. Migrant workers (mainly from Fiji and the Philippines) made up 21.7% of private sector workers in 2016, and government estimates approximately 60% of the 1,982 migrant workers are paid at the minimum wage level, account for one-third of tourism-related jobs, and 53.3% are women.<sup>b</sup> Income losses may lead to increased poverty and outbound migration. A reliance on fiscal stimulus to maintain private sector activity during COVID-19, a narrow economic base and employment opportunities, and exposure to shocks (such as food price shocks and disasters) are some of the factors underlying poverty vulnerability. In addressing some of these, the program’s beneficiaries are all residents of the Cook Islands, with immigration reforms particularly targeted at improving outcomes for foreign workers.

2. Impact channels and expected systemic changes. The program aims to reduce vulnerabilities by (i) improving fiscal buffers and the government’s ability to respond to shocks; and (ii) improving employment and income outcomes for the population, including the poor and vulnerable. The public sector is a key provider of infrastructure, services, and employment that low-income households need to improve their livelihoods. By supporting better fiscal management, the policy actions will help ensure that the government has more space to respond to future shocks, which tend to impact the poor disproportionately, while maintaining critical health, education, and community services. Creating a more

enabling environment for businesses, reforms should also help enhance the capacity for women, youth, and members of vulnerable households to fully engage in local employment opportunities, with improvements to immigration policy addressing mobility and labor protections for migrant workers who tend to be lower paid.

3. Focus of (and resources allocated in) the transaction TA or due diligence. No project preparatory technical assistance (TA) was required. ADB's ongoing TA for public financial management and private sector reform will support due diligence,<sup>e</sup> as well as ADB involvement in the Cash Management Committee. The due diligence will be prepared in cooperation with development partners and will include a poverty and social analysis.

4. Specific analysis for policy-based lending. Improved public financial management will preserve funding of essential services, identify precursors to a liquidity crisis, and pre-approve contingency financing. Direct impacts for the poor include improved employment outcomes and lower costs to starting and running a business, as well as improved telecommunication services at reduced costs. The program will also indirectly benefit the vulnerable by increasing government's capacity to respond to shocks and avoid fiscal consolidation or disruption of service delivery.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? There is a clear gender dimension to labor market outcomes. According to the 2015/16 Household Income and Expenditure Survey, women in the Cook Islands earn 8.0% less than men, work part-time more (10% of women and 7.4% of men) and work more doing unpaid home duties (16.7% of women and 6.3% of men).<sup>c</sup> Women-headed households had on average, 18% lower household income and around one-third face increased risk of poverty. Women represent 55.8% of public sector workers and 60.5% of tourism workers.<sup>c</sup> Of migrant labor, 53.3% are women.<sup>b</sup>

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women access to and use of opportunities, services, resources, assets, and participation in decision-making?  Yes  No

By supporting better fiscal management, the policy actions will help ensure that public sector employment is maintained, benefiting women. While there is no sex-disaggregated data or gender analysis on women-owned enterprises or businesses, efforts to ensure the success of the tourism industry through maintaining open borders and reducing business costs will benefit employment and business outcomes, which favors female employment. Improvements to accessibility to business registry services and the registration of movable property will also improve registry access for women entrepreneurs and encourage more small-scale investment using movable property as collateral for loans. Lower business costs and improved telecommunication services will also enable more widespread participation in online activities. More proactive gender elements will be sought during program preparation.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  Yes  No

The program is not anticipated to have any adverse impact on women and/or girls or widen gender inequality.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design.

The program is country-wide and will affect, through macroeconomic and sector policy changes, all residents of the Cook Islands. Specific stakeholders include the private sector, workers' associations, public employees, women's groups, and the vulnerable. The program is aligned with the Economic Development Strategy 2030, which is based on countrywide community consultations. Individual reform actions are based on, or will incorporate, feedback from consultations with identified stakeholder groups, led by the responsible implementing agencies.

2. Who are the key, active, and relevant CSOs in the project area?

The Cook Islands Chamber of Commerce participates as a regular member of government policy consultations, as does Cook Islands National Council of Women, Cook Islands Workers Association, and Te Ipukera Society (environment). Government regularly holds direct-to-public consultations in both Rarotonga and the outer islands.

3. Are there issues during project design for which participation of the poor and vulnerable is important?

Yes  No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues?

The program is aligned with national poverty reduction strategies. Government-led stakeholder consultations on selected policy actions will be carried out to address the needs of the poor and excluded. The program aims to promote pro-poor, socially acceptable, economically, and fiscally sustainable policies and initiatives.

5. What level of CSO participation is planned during the project design? <input checked="" type="checkbox"/> Information generation and sharing <input checked="" type="checkbox"/> Consultation <input checked="" type="checkbox"/> Collaboration <input checked="" type="checkbox"/> Partnership
<b>IV. SOCIAL SAFEGUARDS</b>
<b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None
<b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
1. What other social issues and risks should be considered in the project design? <input checked="" type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input checked="" type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input checked="" type="checkbox"/> Others, please specify _____
2. How are these additional social issues and risks going to be addressed in the project design? The improvements in public financial management and the private sector operating environment will support a recovery to inclusive economic growth. The precautionary finance option will guard against a rapid economic deterioration, avoiding the rapid fiscal consolidation that led to mass emigration during the 1996 fiscal crisis. The program is complex owing to (i) the loan size potentially being above \$50 million, and (ii) the use of a precautionary finance option in the program design. ADB has a sound record of engagement in public sector management in the Cook Islands, and the executing agency has reasonable capacity and experience in externally-financed project administration.
<b>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The program due diligence will benefit from ADB staff co-chairing the Cash Management Committee, and ongoing TA in financial management and private sector reform. <sup>e</sup> Due diligence of individual policy reform actions will be led by the government, with support from TA and ADB staff.
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? Due diligence will be carried out by ADB staff and existing TA.
<sup>a</sup> ADB. 2021. <i>Pacific Approach 2021-2025</i> . Manila; ADB.2018. <i>Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific</i> . Manila
<sup>b</sup> Government of the Cook Islands. <i>2016 Census of Population and Housing</i> . Rarotonga.
<sup>c</sup> Government of the Cook Islands. <i>2015/16 Household Income and Expenditure Survey</i> . Rarotonga.
<sup>d</sup> Government of the Cook Islands and Development Pathways. 2020. <i>The state of poverty and vulnerability in the Cook Islands</i> . Rarotonga
<sup>e</sup> ADB. 2020. Regional: Supporting Public Sector Management Reforms. Manila; ADB. 2019. Regional: Pacific Private Sector Development Initiative, Phase IV. Manila.
Source: ADB.