



### Project Summary Information

Date of Document Preparation: November 13, 2020	
<b>Project Name</b>	COVID-19 Active Response and Economic Support Program
<b>Project Number</b>	000461
<b>AIIB member</b>	Cook Islands
<b>Sector/Subsector</b>	Economic Resilience/PBF / Economic Resilience/PBF - NA
<b>Status of Financing</b>	Under Preparation
<b>Project Description</b>	<p>This Program is proposed under the COVID-19 Crisis Recovery Facility (the Facility) of the Bank and will be supported by a Sovereign-backed Loan to the Cook Islands, co-financed with the Asian Development Bank (ADB) and the New Zealand Agency for International Development (NZAID). The ADB co-financing is provided under ADB's Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO).</p> <p>The Cook Islands has one of the region's most tourism-dependent economies, with tourism contributing revenues equivalent to 61.4% of gross domestic product (GDP) in 2019 and employing 36.7% of the total workforce. The Program is critical to address the significant revenue contraction estimated at 41%, due to a decline in international tourism because of the COVID-19 pandemic. The country's GDP is anticipated to fall by 7.0% in FY2020 and by a further 15.4% in FY2021: a dramatic turnaround following the 5.3% growth in FY2019. The Government's comprehensive fiscal response under its Economic Reform Plan (ERP) is financed in two phases: (i) FY2020: USD 28 million (8.6% of GDP) and (ii) FY2021: USD 59 million (20.9% of GDP); resulting in a financing gap of 33.1% in FY2021, which, if not addressed, will exhaust the accumulated fiscal reserves by the end of 2021. The ERP supports the health system, payments for employment support, tax and credit relief for businesses, free or subsidized re-training, cash support to poor and vulnerable households and those required to self-isolate; countercyclical private sector lending; and, electricity tariff discounting.</p>

	<p>The Cook Islands avoided a COVID-19 outbreak with a preemptive containment health response. In January 2020, the Government activated the Health Emergency Response System with a progressive tightening of controls leading to a border closure in March 2020. Containment measures were implemented with a mandatory quarantine for all returning residents; schools' closure; and social distancing enforced; associated with widespread testing. On April 16, 2020, the Government declared the country COVID-19 free: Domestic controls were relaxed but international borders remain closed.</p>
<b>Objective</b>	<p>The Program supports the Government of the Cook Island to reduce the adverse impacts of COVID-19 restrictions on the population and businesses.</p>
<b>Expected Results</b>	<p>The following key results are expected under the Program:</p> <ul style="list-style-type: none"> <li>(i) Strengthen the health care system's COVID-19 response measures.</li> <li>(ii) Protect livelihoods by compensating for economic losses.</li> <li>(iii) Deliver economic relief to affected businesses.</li> </ul>
<b>Environmental and Social Category</b>	<p>ADB Category C for each of environment, involuntary resettlement and Indigenous Peoples (similar to Category C if AIIB's ESP were applicable)</p>
<b>Environmental and Social Information</b>	<p>This Loan will be co-financed with ADB as lead co-financier, and the Program's environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of ADB's Safeguard Policy Statement (SPS) applicable to policy-based lending (PBL).</p> <p>AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by a decision of the AIIB's Board of Directors, the provisions of the SPS applicable to PBL will apply to this operation in lieu of AIIB's ESP. This will ensure a harmonized approach to addressing the ES risks and impacts of the Program.</p> <p>Under its SPS, ADB has categorized the program as Category C for environment, Category C for involuntary resettlement and Category C for Indigenous Peoples, on the basis of its assessment of the Program. ADB has confirmed that the Program activities supported by this Loan will be confined to policy and institutional reforms; and that no activity will result in, or lead to, involuntary resettlement or negatively affect Indigenous Peoples or the environment. The Program is expected to have positive social outcomes through its COVID-19 response by sustaining livelihoods, protecting jobs and businesses. The public sector is a key provider of infrastructure and services to low-income households, and improved fiscal management will help ensure that the government has the resources to respond to</p>

	<p>economic shocks and disasters triggered by natural hazards, which tend to have an adverse effect on the poor, while maintaining critical public services.</p> <p>The Program is categorized by ADB as "Effective Gender Mainstreaming" with dedicated actions to ensure that all women employers and employees have access to support, including (i) a wage subsidy for all women in affected businesses, (ii) an unemployment benefit for all women at risk of losing their jobs, (iii) the assurance that all public servants (of which 55.8% are women) will continue to be employed, (iv) the continuation of training opportunities being offered to women at similar rates to men and (iv) grant and credit assistance for women-owned businesses.</p>										
<b>Cost and Financing Plan</b>	<p>Indicative Cost and Financing Plan (USD millions)</p> <table border="1"> <thead> <tr> <th>Modality and Sources</th> <th>Amount (\$ million)</th> </tr> </thead> <tbody> <tr> <td><b>Asian Development Bank</b> Sovereign COVID-19 Pandemic Response Option (Regular Loan): Ordinary Capital Resources</td> <td>20.0</td> </tr> <tr> <td><b>Asian Infrastructure Investment Bank</b> COVID-19 Crisis Recovery Facility (Not ADB Administered)</td> <td>20.0</td> </tr> <tr> <td><b>New Zealand Agency for International Development (NZAID)</b></td> <td>9.9</td> </tr> <tr> <td>Total</td> <td>49.9</td> </tr> </tbody> </table>	Modality and Sources	Amount (\$ million)	<b>Asian Development Bank</b> Sovereign COVID-19 Pandemic Response Option (Regular Loan): Ordinary Capital Resources	20.0	<b>Asian Infrastructure Investment Bank</b> COVID-19 Crisis Recovery Facility (Not ADB Administered)	20.0	<b>New Zealand Agency for International Development (NZAID)</b>	9.9	Total	49.9
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<b>Borrower</b>	Cook Islands										
<b>Implementing Entity</b>	Ministry of Finance and Economic Management										
<b>Estimated date of loan closing</b>	January 2021										

<b>Contact Points:</b>	<b>AIB</b>	<b>Asian Development Bank</b>	<b>Borrower/Implementing Entity</b>
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<b>Date of Concept Decision</b>	November/2020		
<b>Estimated Date of Appraisal Decision</b>	November/2020		
<b>Estimated Date of Financing Approval</b>	December/2020		
<b>Independent Accountability Mechanism</b>	<p>AIIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIIB's ESP, which does not apply to this operation. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM. ADB's independent accountability mechanism addresses issues raised by persons adversely affected by an ADB-assisted operation and allows them to report alleged noncompliance with ADB's operational policies and procedures, including its SPS.</p>		