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This action is funded by the European Union

## ANNEX

of the Commission Decision on the annual action programme 2017 in favour of the Cook Islands to be financed from the 11<sup>th</sup> European Development Fund

### Action Document for Budget Support to the Cook Islands Sanitation Sector

<b>1. Title/basic act/ CRIS number</b>	Budget Support to the Cook Islands Sanitation Sector CRIS number: EDF 2015/038-694 financed under the 11 <sup>th</sup> European Development Fund			
<b>2. Zone benefiting from the action/location</b>	Pacific, Cook Islands The action shall be carried out at the following location: Cook Islands			
<b>3. Programming document</b>	11 <sup>th</sup> European Development Fund -NIP			
<b>4. Sector of concentration/ thematic area</b>	Health Sector, Sanitation.	DEV. Aid: YES		
<b>5. Amounts concerned</b>	Total estimated cost: EUR 1.4 million Total amount of EDF contribution EUR 1.4 million of which EUR 1.35 million for budget support and EUR 0.05 million for evaluation.			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Budget support Direct Management - Budget Support: Sector Reform Contract Direct Management – Evaluation: Framework Contract			
<b>7. a) DAC code(s)</b>	14030 – Potable Water Supply and Sanitation (100 %).			
<b>b) Main Delivery Channel</b>	10000 - public sector institutions (Government of the Cook Islands)			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	X
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input type="checkbox"/>	X	<input type="checkbox"/>

	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input type="checkbox"/>	<input type="checkbox"/>	X
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Environment and Climate Change.			
<b>. SDGs</b>	Main SDG Goals: 6 Secondary SDG Goals : 14			

## SUMMARY

In line with the national goal set in the National Sustainable Development Plan (NSDP), the overall objective of this action is to contribute to decent employment and the sustainable economic growth of the Cook Islands, through a viable management approach of its natural resources and ecosystem. This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 6 "*Ensure availability and sustainable management of water and sanitation for all*", but also promotes progress towards Goal 14 "*Conserve and sustainably use the oceans, seas and marine resources for sustainable development*". The focus of this programme is also aligned with the new European Consensus as it is centered on people (focus on the Human Right to Water and Sanitation), planet (efforts to help address climate change challenges) and prosperity (supporting indirectly the tourism sector as the main source of income and employment). This Sector Reform Contract builds upon the interventions of the 10<sup>th</sup> EDF budget support programme in the Sanitation Sector 2013 to 2015.

The action's specific objectives are to manage wastewater in a manner which protects public health and the environment; and to improve competitiveness of the tourism sector. These objectives are directly aligned to the NSDP and the recently revised Sector Policy. The action will also have an indirect positive impact on other key areas such as health, environment and tourism (with high levels of female employment). The main expected result is that the Cook Islands' water & sanitation policies are implemented, strengthened and monitored. The Action will also contribute to the sustainable management of water and sanitation (NSDP Goal 4) through the upgrading of sewerage systems of commercial properties, contributing to NSDP Indicator 4.2.

The EUR 1.35 million will be allocated via a fixed tranche representing 48 % and a variable tranche of 52 %. An allocation of EUR 50,000 is foreseen for evaluation.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

The Cook Islands is a small Pacific Island country in free association with New Zealand. It is an upper middle-income country with a resident population of 14 974<sup>1</sup> living in 4 372 households<sup>2</sup> and has one of the highest GDP per capita in the Pacific at NZD 23 487<sup>3</sup> (circa EUR 14 700). Despite this high figure, a proportion of the population is still not able to meet basic needs for a decent standard of living<sup>4</sup> and disparity in income earning opportunities are important, between the outer islands and Rarotonga, the island with the capital city, as well as between men and women. The country's economy is highly dependent on tourism revenues (60 % of the GDP), with up to 125 000 tourists visiting each year, leaving it particularly vulnerable to economic shocks especially those stemming from New Zealand, Australia and the United States, from where most tourists originate and extreme pressure on its natural resources. The Cook Islands has one of the highest female labour force participation in the Pacific with 65 % of women participating. With the economy being so dependent on tourism it is important that a pristine environment and natural heritage, including biological diversity, be maintained so that tourists continue to find the Cook Islands an attractive destination.

The government's response to key vulnerabilities (e.g. geographic isolation, lack of economies of scale, tiny domestic market) includes growing revenues from sources including agriculture, marine resources, financial services and development of seabed mining over the long term.

Until 2013, the Cook Islands economy had achieved an average real growth rate of 1.0 %.<sup>5</sup> The June 2016 macroeconomic assessment conducted by ADB shows a decline in Constant Price GDP Growth in 2012/2013 fiscal year by -1.7 %, 2013/2014 fiscal year by -1.2 %, and by -0.5 % for the 2014/2015 fiscal year. The 2016/2017 Budget projected real growth in 2016/2017 fiscal year of 1.6 % and in 2017/2018 fiscal year of 0.8 %, which comes after a boom in tourism in the 2015/2016 fiscal year, leading to an estimated 6.2 % growth (as at Budget). Figures for real per capita GDP are more positive due to the decline in population, so there is constant positive growth per capita all over these years, driven largely by shifts in public capital spending. The economy is forecasted to have modest growth of between 0.8 % and 1.1 % of GDP from 2017 to 2021, however recent visitor arrivals growth suggests some upside risk in the early years.

While total resident population appears relatively stable over the last five years, the indigenous population continues to decline and be replaced by foreign labour. Trends show the continued migration from the outer islands to Rarotonga and subsequent migration overseas (e.g. young Cook Islanders leave for further education training, experience and profitable work). The remote outer islands are experiencing a particularly marked decline with around 65 % of the population now living on the main island of Rarotonga. The unemployment rate is estimated at 8 % with young people making up one third of all unemployed.

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<sup>1</sup> Government Statistics Office data, <http://www.mfem.gov.ck/statistics/census-and-surveys/census/143-census-2011>

<sup>2</sup> Cook Islands Census 2011

<sup>3</sup> Asian Development Bank June 2016. *Macroeconomic Assessment*.

<sup>4</sup> Estimated at 28 % in 2006 - P.36. *Analysis of 2005-06 Household Expenditure Survey Report*. Government of the Cook Islands. Cook Islands (2008).

<sup>5</sup> *Annual GDP 2013*

. *Cook Islands Statistical Bulletin*. Ministry of Finance and Economic Management (2013).

### ***1.1.1 Public Policy Assessment and EU Policy Framework***

#### *National development policy*

The country's national development strategy "Te Kaveinga Nui" and its third National Sustainable Development Plan (NSDP) 2016-2020 focus on sustainable economic and social development and strengthened public service delivery. The NSDP is structured around 16 goals that target, among others, to expand economic opportunities, improve economic resilience and productive employment to ensure decent work for all, as well as improving welfare, reduce inequality and economic hardship. The purpose of the NSDP is for the Cook Islands "to enjoy the highest quality of life consistent with the aspirations of our people in harmony with our culture and environment." NSDP actions and targets are linked to strategic objectives, outcomes and key deliverables of government department annual business plans and budgets; gender perspective is included in Goal 9 "Accelerate gender equality empower all women and girls, and advance the rights of youth, the elderly and disabled". The NSDP is reviewed annually with results published regularly by the government.

#### *Sector Policy*

The NSDP 2016/2020 provides the overall policy framework for the water and sanitation sector, which was identified as a key priority for the country with the specific Goal 4 being "Sustainable management of water and sanitation".

The Cook Islands National Infrastructure Investment Plan 2015/2025 lists long term sanitation upgrades in Rarotonga as the second priority investment, with the Te Mato Vai water supply system for Rarotonga (costed at approximately EUR 22 million) being the priority investment for the country. The sanitation sector has also been highlighted as a focus for an improvement programme to meet higher public service quality standards and growing demand, particularly in Rarotonga. With the approval by the Cabinet of the Cook Islands Sanitation (Wastewater Management) Policy in June 2016 the sector has become far more structured, better focussed and aligned with the NSDP. As the programme is having a direct impact in the tourism sector that employs 64 % of the total of employed women, a dialogue on reducing income disparity will also contribute to Goal 9 and its development indicators. The policy dialogue in relation to gender will have as a reference the EU Policy Framework GAP-II.

#### *The Cook Islands Sanitation (Wastewater Management) Policy, June 2016*

The timeframe for this policy is ten years i.e. 2016 to 2026. There will be an interim review every four years and a full review will occur at the end of the ten year period. Progress towards the key targets will be evaluated one year after the date for implementation. The activities associated with this policy will be monitored through Divisional Quarterly reports and Statistical and Annual reports. The policy applies across the whole of the Cook Islands. The scope of this policy is primarily related to safe collection, treatment and disposal of wastewater to an approved standard for domestic residential homes, commercial facilities (including tourist accommodation) and community and public buildings.

The Sanitation (Wastewater Management) Policy has two objectives: first, to ensure that wastewater is managed in a manner which protects public health and the environment and has regard to the local context; second, to ensure an integrated approach to wastewater management which recognises and clarifies public, community and individual responsibilities. It also sets four key targets and indicators for monitoring and reporting purposes which are all time bound.

The sector policy is also guided by key legislation including: the Public Health Act, (2004) and the Environment Act (2003), which set the legal framework for the sector; the Public Health (Sewage) Regulations (2008) and the Public Health Sewage (Code) Regulations (2008), which set technical standards to be achieved, and regulate installation requirements to international standards for appropriate wastewater treatment systems and disposal methods.

In April 2015, Cabinet made an in-principle decision to develop reticulated wastewater collection, treatment and disposal on Rarotonga and Aitutaki.

### *Financial Arrangements*

Financial commitment to the sector is as follows: the Cook Islands Waste Management and Sanitation Improvement Programme (WMI) had a total programme budget of NZD 4.7 million from March 2011 to June 2014. The Government completed planning and funding arrangements for the sanitation upgrade programme with New Zealand in June 2014 for NZD 10 million in 2014-2018. The medium term budget commitment for the sector is NZD 15 125 200; the balance is made up of total appropriations in the following budget years (in more details: 2015/2016: NZD 4 960 000; 2016/2017: NZD 8 772 600; 2017/2018: NZD 4 612 600; 2018/2019: NZD 1 740 000).

Amongst all proposed infrastructure projects in the National Infrastructure Investment Plan, the improvement of the sanitation systems is a very high priority with the Long Term Sanitation Upgrades in Rarotonga being ranked second out of 43 proposed projects. The Cook Islands Government (CIG) acknowledges that more work is required to address the ever increasing need for the collection, treatment and disposal of wastewater. On 8 November 2016, the cabinet agreed to establish a stand-alone and combined Programme Management Unit (PMU) for the Cook Islands Water Partnership – Te Mato Vai (TMV) Project and the Wastewater Project (previously the Sanitation Upgrade Programme (SUP)). The advantage of this arrangement is a singular governance structure that enables more effective and efficient management. Also, this is in line with Government's long term desire to establish a Water and Wastewater State Owned Enterprise (SOE). The cabinet also reviewed options to address Rarotonga and Aitutaki's wastewater management issues and agreed that a change of direction is needed. The CIG acknowledged that the on-site effluent treatment programme in itself was not likely to fully deliver the public's expectations or the environment outcomes. As an immediate step, a full assessment of options will take place to determine the most cost-effective and technically-viable long-term solutions for the collection, treatment and disposal of wastewater on Rarotonga and Aitutaki. This preparatory has commenced and is expected to be finalised in 2018. During the course of the initial work, a detailed plan will be developed to determine where on-site treatment can be installed with maximum effect. The precise total cost estimates are unknown, however preliminary estimates for the Rarotonga and Aitutaki wastewater upgrade, inclusive of reticulation is likely to cost NZD 70 million indicatively.

The EU contributes to bridging this financing gap through funding programmes within the Sanitation Sector. Past programmes focussed on improving sewage treatments of private dwellings that are close to vulnerable coastal areas, such as the lagoon. Under the 11th EDF the focus will be to ensure the upgrades of commercial sewage treatment systems are compliant with the Public Health (Sewage and Waste Water Treatment and Disposal) Regulations 2014. The culmination of the work being funded by the EU supports both short term as well as long term solutions in the Sanitation Sector.

It should be noted that the Cook Islands is expected to graduate to a High Income Country in 2017. Thus, this may be the final bilateral allocation to the country. Future financing gaps are expected to be covered by investments.

### ***1.1.2 Stakeholder analysis***

The target group will be the 365 commercial properties in the tourism sector (336 in Rarotonga and 29 in Aitutaki) that have sanitation systems which are not functioning properly and are leaking effluent into the aquatic environment, with only six properties complying with the Public Health (Sewage and Waste Water Treatment and Disposal) Regulations 2014. The beneficiaries of the action will be the entire Cook Island population as the action will contribute to preserving the health of the population as well as a pristine environment, which the tourism sector and the national economy is so dependent upon, by reducing pollution. The private sector currently employs 65 % of the labour force, with more than half of this number, 36.6 % working in the Trade, Restaurant and Accommodation industry. Women in particular will be positively affected by this action as they currently dominate this industry and will continue to be empowered by a vibrant tourist sector.

The key implementation stakeholders for this action will be the Ministry of Health which is responsible for the enforcement of the Public Health (Sewage and Wastewater Treatment and Disposal) Regulations 2014 with the support of the existing WATSAN (water and sanitation) Project Management Unit.

Other stakeholders in the sector include: government ministries, state owned enterprises, civil society, private sector representatives and development partners. The core government departments in the sanitation sector include the Ministry of Infrastructure and Planning, the Ministry of Finance and Economic Management, the Cook Islands Investment Corporation, Ministry of Health, Ministry of Marine Resources and local island governments. Non state actors include: Chamber of Commerce, Te Ipukarea Society, Are Ariki and Kotou Nui, National Council of Women and Cook Islands Society for Civil Organizations, and village/community organisations. Main development partners in the sector include: New Zealand, Australia (through a delegated management agreement with New Zealand) ADB (infrastructure planning support) and the EU. Sector stakeholders, including the main development partners that have been providing with funds and technical advice to the Cook Island authorities, were consulted in the formulation of the NSDP and the sanitation policy. A consultation draft of the Sanitation policy was circulated to the different ministries, the offices of the Prime Minister, private sector, island governments, contractors, the New Zealand High Commissioner and the EU. New Zealand and the EU provided feedback as they have been the main donors in the water and sanitation sector and fully involved in the sector.

A new water supply scheme is being constructed with a grant component from New Zealand. To manage and maintain the water services on Rarotonga once the water supply project is complete, requires qualified people with the technical expertise to do so. The Government is committed to strengthen the capacities in the water and sanitation management through the establishment of a specialised water management utility. Considering the limited human resources in the Government (2 100 people, including all islands and the legislative body), this will help to concentrate efforts for a better performance.

Private Sector participation will be in the form of contractors carrying out the work required in the Sanitation Sector. Regarding financing of the policy, each of the commercial facilities will be responsible for the upgrade of each of their sewerage treatment systems to ensure that it meets MOH regulation standards. Due to the costs associated with the upgrades, the Public

Health (Sewage and Wastewater Treatment and Disposal) Regulations 2014 allows for the upgrade to be done over a two year period once plans have been approved. A user-pay system for domestic and/or commercial properties, and/or through taxation (of tourists) is being discussed.

### ***1.1.3 Priority areas for support/problem analysis***

The main challenges facing the sector include the safe disposal of sewage & other wastewater and the promotion of health and hygiene practices. Through improving the treatment of domestic and commercial waste, it can be expected that the health of both residents and visitors will be improved. This is especially true due to the porous nature of the soil (largely sand, thus increasing the hydraulic conductivity of the aquifer and reducing the amount of time that the septic tank discharge remains in the soil to be broken down further), the close proximity of the lagoons (normally within 100 metres of residences or less in the cases of some tourist accommodation) and the frequency of sea baths. The programme will however not only of focus on improving septic tanks and sewerage systems but will also create awareness of the impact of sanitation on the environment and therefore on tourism and the national economy.

Substantial progress has already been made in both the promotion of health and hygiene practices through a major programme of improving septic systems in the critical area of Muri, where the quality of the lagoon water has been declining. However the link between waste water discharge and lagoon water quality needs to be further strengthened and at present is not clearly supported by any specific analyses although there should be a strong cause-effect relation. Given the complexity and dynamic nature of the lagoon environment, with many factors interacting, the link is assumed rather than based on factual data. Nevertheless the need for improvements in the disposal of liquid waste in order to reduce health risks is clear with many septic tanks being old and of poor quality and it is highly probable that waste from poorly functioning septic tanks may contribute to the decline in lagoon water quality. It will also support national commitments to develop protected areas, reduce the harmful effects of invasive species and prevent further invasions, and use biodiversity in a sustainable manner<sup>6</sup>

## **1.2 Other areas of assessment**

### ***1.2.1 Fundamental values***

The Cook Islands is a well-established democratic country which respects and promotes fundamental values of democracy, human rights and the rule of law. The political regime is a parliamentary democracy, elections are considered free and fair, media are considered free and Cook Islands citizens enjoy fundamental freedoms without impediments (e.g. freedom of speech, freedom of association). While Human Rights are generally well respected, efforts are on-going to address specific issues with regards to gender equality issues (e.g. persistence of violence against women, low number of women in parliament), child protection (e.g. corporal punishment remains a culturally accepted practice) and labour law (e.g. outdated legislation). The country justice system is considered independent and the Rule of Law upheld.

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<sup>6</sup> National Biodiversity Strategy and Action Plan, 2002

### ***1.2.2 Macroeconomic policy***

The Cook Islands is vulnerable to domestic and external shocks due to its limited size, geographical position and limited resources making it highly dependent on imports from New Zealand (80 % of commodity imports). Nevertheless, government's macro-economic policy is robust, conducive to maintaining stability and is sustainable in the medium term, one of potential sources of instability is the relatively undiversified economy, with services representing about 75 % of the GDP. Tourism is the largest source of growth and contributes to some 60 % of GDP. The prospects for further development of non-tourist based industries are limited what represents a challenge to reduce vulnerability and dependence of external factors. ODA plays an important role in the economy and represents circa 10 % of GDP.

GDP growth has been volatile since 2007 until 2015 mainly due to external factors like the global financial crisis which triggered a rise in costs of imports, a sharp fall in commodity prices, and a sharp drop in tourist arrivals. But the economy recovered on account of a pickup in tourism arrivals and strong fishing licence fees. The 2016/2017 Budget projected real growth in the 2016/2017 fiscal year of 1.6 %, and in the 2017/2018 fiscal year of 0.8 % comes after a boom in tourism in the 2015/2016 fiscal year, leading to an estimated 6.2 % growth (as at Budget).

The use of New Zealand dollars and the fact that the bulk of imports are from New Zealand, links inflation in the Cook Islands to price movements in New Zealand. Inflation averaged 1.9 % between fiscal year 2010 and fiscal year 2014 and was estimated at 3.0 % in fiscal year 2015 driven by higher alcohol and tobacco duties introduced in the national budget. Consumer price inflation in fiscal year 2016 was -0.1 % and is expected to remain around 1.5 %.

Regarding the fiscal deficit, it averaged 2.5 % of GDP between 2010 and 2014, with the outcome estimated to be a surplus of 2.3 % of GDP in fiscal year 2016 while record capital investment results in temporary large fiscal deficits in fiscal year 2017, of 4.1 % of GDP and fiscal year 2018 of 3.5 % before returning to fiscal surpluses in future years. Nevertheless, Cook Islands has adequate fiscal buffers for management of fiscal risks and targets cash reserves equivalent to three months of operating costs.

From as high as 141 % of GDP in the early 1990s, the debt ratio has fallen significantly every year: it is expected to decrease to figures between 21.3 % and 17.3 % up to year 2021, well below the government's own threshold of 30 % of GDP and the ADB's threshold of 35 % for the Cook Islands. Government is currently in negotiations concerning large capital investment in a submarine fibre-optic cable which will require some debt financing, however analysis indicates that the undertaking of this loan will not cause breach of the debt targets. Government is well within the benchmark over the short and medium term. Government has adequate cash reserves to draw down to implement its infrastructure investment plan over the medium term, however, any disaster response financing requirements will breach these assumptions.

The Cook Islands has a modern taxation system centred on a progressive income tax for individuals, a flat rate income tax for companies and a flat rate value added tax. VAT has increased from 12.5 % to 15 % in 2013. Noteworthy improvements have been made in credibility of budget estimates and arrears reporting; as well as in taxation awareness and registration programs. Tax laws have been clarified, that taxpayer obligations were accessible, and that there was a good timely banking of tax collection.

The Cook Islands' economy is relatively undiversified, small and very vulnerable to external shocks. GDP growth has historically been volatile as a result of external shocks that were beyond the control of the government (global financial crisis, natural disaster). In order to build economic resilience, the government has undertaken measures to diversify revenue streams and potentially productive areas such as marine resources, financial services and agriculture as well as putting aside revenue to grow reserve funds in case of shocks. Despite its vulnerability to external shocks and natural disasters, with a per capita GDP estimated at USD 23 487 (fiscal year 2015/2016) Cook Islands incomes are high compared to that of their peers and with debt levels relatively low the macroeconomic outlook appears stable. Cook Islands is about to graduate as a High Income Country, probably on 2017.

The Budget for the fiscal year 2016/2017 foresees funding for Government-funded Paid Maternity Leave and specific funding for women and gender projects in some outer islands.

**Based on the analysis above it is concluded that the authorities pursue a credible and relevant stability-oriented macroeconomic policy aiming at maintaining fiscal stability and sustainability.**

### ***1.2.3 Public Financial Management (PFM)***

The Cook Islands Government has been exceptionally proactive in implementing the PFM reform programme and has progressed satisfactorily, with a formal PEFA Assessment taking place in November 2014 with the report finalised in August 2015. The results of the 2015 PEFA are generally positive with there being improved grades compared to the 2011 PEFA assessment and reflect on the progress that has been made in the implementation of the 2011 to 2015 PFM Road Map. The delay in audited accounts, although having been previously highlighted as a "problem" area, has proved a difficult issue to address. However with the electoral challenges now having been solved there is a more conducive environment to address and sign off on the outstanding audits.

No adjustments were required in the Roadmap that has been implemented until the end of 2016 (the current Roadmap officially having finished in 2015 but still operational until December 2016 when the new Roadmap was endorsed). With the last PEFA Assessment, and with the report showing substantial, although uneven, progress having been achieved across a very broad range of government activities including budget credibility and comprehensiveness as well as taxation and tendering, the Cook Islands PFM Reform strategy has been successfully implemented over the years.

Overall, the Cook Islands' government is championing the PFM reforms in a sincere and transparent manner with progress having been confirmed through the 2015 PEFA Assessment report. The PFM sector is going through a positive transition, where macro-economic and fiscal policies as well as areas of accountability such as budget transparency have improved. Areas which were traditionally unaddressed are being attended to (.e.g. lack of proper data or a reliable database for policy-decision making; timely publication of internal and external audit reports, procurement). There are however several areas (accounting and external audits) that are proving resistant to improvement, this is be due to inadequate human resources and the difficulty to attract sufficient well qualified accountants (who can receive better remunerations in New Zealand), These areas are focused upon under the new PFM Roadmap and will provide a necessary opportunity to refocus attention and resources on these areas.

As observed through the PEFA results, the PFM systems employed by the Cook Islands are considered reasonably firm. The PFM systems are set on a plausibly advanced budget and financial management framework of rules and structures with clear legislative framework. The rules are effectively documented and there is a high degree of compliance to rules and processes. In the last years, PFM performance in the Cook Islands Government (CIG) has improved in terms of budget credibility mainly due to improved budget execution, monitoring, and reporting. Upgrading of information systems has significantly contributed to the improvement. However, challenges are still noted in multi-year fiscal planning and budgeting, as well as on internal control on both revenue and expenditure management, and these were due to inadequacy of processes as well as non-compliance to rules and regulations. Likewise, there has not been significant improvement in timeliness of external audit and scope of legislative scrutiny. These challenges have in one way or another affected fiscal discipline, strategic allocation of resources, and efficiency of service delivery.

As a result of ongoing efforts to improve and utilising the outcomes from the PEFA assessment, the Government has identified key actions for its new PFM Roadmap 2016-2020. These specific actions are incorporated into current business plans, and/or into medium term forecasts and will be undertake over the next four years to improve current systems, to better align resources and accountability towards development results, presenting a sound basis for development partners to provide general budget support, and improving transparency and accountability of Government finances.

Most of these initiatives have been underway for some time as part of the Government's wider intent to improve PFM strategies. The structure of the new Roadmap will change slightly to be more centric on CIG strategies, and within each, identifying how they address challenges identified in the 2015 PEFA.

The agreed actions focus on:

- Improving measures of transparency and accountability across Government;
- Improving the timeliness of financial reporting
- Further reducing systemic vulnerabilities to corruption;
- Greater involvement of the legislature in scrutinising public finances and the annual budget law;
- Improved control in budget execution; and
- Improving public financial management across Government.

It is planned that a self-assessment in 2018 will be followed by a third PEFA assessment undertaken in 2020 to measure the improvement of systems as a result of these actions. The 2018 self-assessment will be the basis for the EU assessment of this pillar for the foreseen disbursement.

**The PFM Reform programme has been successfully implemented with the Cook Islands Government having a good track record of PFM reform and a commitment to improve PFM performance in the future through the next PFM Roadmap 2016-2020. The Roadmap is a credible and relevant programme to improve public financial management**

### ***1.2.4 Transparency and oversight of the budget***

The Cook Islands government remains on track to ensuring budget documents with improved information are tabled and discussed in Parliament. Parliament sat twice in 2014, 2015 and 2016. The Public Accounts Committee (PAC) is in the process of appointing a new Chair and key deliverables and targets are incorporated into the Parliamentary Services Business Plan and Budget.

Government continues to improve the comprehensiveness of information included in budget documents by improving the provision of key fiscal information to enable improved public access. This is achieved by developing procedures for maintaining and advising the public on the availability of printed budgets and economic publications, annual accounts, tender contracts, and awards with internal controls set up to manage this process. These documents are made available on the Ministry of Finance and Economic Management's (MFEM) website.

Auditing of public accounts is behind schedule; the last audited annual accounts to be submitted to Parliament were from year 2011/2012. However, a "catch-up" process has been in place since 2012/2013 although this has, to date, only resulted in some limited progress towards producing timely audited accounts, which is largely due to Human Resource constraints.

In addition to the new procurement policy, a centralised Procurement Unit was established within in the 2015/2016 financial year, and a procurement officer role within MFEM was filled at the end of 2014/2015. The Cook Islands Government Policies and Procedures Manual has been updated to include tender and contract procedures, and all awarded contracts are published on the MFEM website.

According to the last PEFA Assessment, there has been positive progress in several indicators, namely: comprehensiveness of information included in budget documentation; and public access to key fiscal information.

**It is therefore concluded that the entry point is met and that satisfactory progress has been made as a result of the Government commitment to improving transparency and oversight of the budget.**

## **2 RISKS AND ASSUMPTIONS**

The main assumptions, risks and mitigating measures are summarised in the table below:

<b>Risks</b>	<b>Risk Level (H/M/L)</b>	<b>Mitigating Measures</b>
Weak management & oversight by the Watsan unit and lack of communication between Government Agencies	M	The capacity of the Watsan has been improved as has its understanding of the Budget Support Modality. Government agencies now better understand the Budget Support modality and its consequences which have led to an improvement in communications.
Discrimination of women with lower salaries than men in the same position	M	Implementation and enforcement of international Human Rights instruments especially in the field of women and children rights. Follow up on the approval of the Family Law Bill.

Poor implementation of the PFM Roadmap and addressing the main difficulties identified in PEFA 2015 assessment	M	New PFM Roadmap, need to follow up on its implementation New procurement website for better transparency and monitoring to be monitored.
Insufficient scrutiny of budget funds and timeliness of audit reports.	M	Internal Audit Committee established and Internal Audits outsourced, being necessary to monitor the quality of the future audits.
Budget documentation gives incomplete picture of government forecasts	L	Scrutiny of audits, internal evaluations and PEFA assessments.
Poor market depth, narrow Economic base and limited fiscal flexibility.	M	Policy interventions in Agriculture, fisheries and seabed minerals in an attempt to expand the economic base. Increase private investment.
Delays in completing Audits weakening public scrutiny and confidence	M	Catch up programme underway and Parliamentary accounts committee operationalised in Parliament business plan.
Public sector performance in service delivery in sanitation sector	M	ADB public sector reform program underway, PFM reform programme and WATSAN leadership in delivering water, waste and sanitation programme with Infrastructure Committee oversight and monitoring.
Assumptions: Continued Government commitment PFM reform and Macroeconomic stability as well as effectiveness in implementing Sanitation Policy. The Audit office at least maintains, if not increases, staffing levels to implement the Catch Up program. Staffing levels within the Project Management Unit are maintained or increased, and based on equal opportunities.		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

The 10<sup>th</sup> EDF Sector Reform Contract for the Water and Sanitation sector (2013 to 2015) has helped to further embed water sector planning, budgeting and institutional processes within the Government's systems and structures, and has assisted in developing planning and implementation capacity. These achievements have only been possible because of strong leadership by both the sector and the Ministry of Finance, with both gradually understanding the benefits of the transition to Budget Support. The previous 10<sup>th</sup> EDF Budget Support programme was the first time that Official Development Assistance had been delivered to the sector by this modality, which has caused some challenges but has resulted in a far better understanding of the modality as well as improved communication within the sector and government agencies.

Key lessons learnt from past programme are as follows:

- There has been delays and notable administrative burden on the sector with respect to the monitoring of the indicators. This highlights the importance of selecting meaningful and easily monitored indicators that are appropriate, realistic and aligned well to policy outcomes.
- Lack of coordination between government entities (e.g. Watsan Unit, Ministry of Health, Infrastructure Cook Islands etc.) hampered progress against targets. Interagency coordination needs to be strengthened to ensure indicators are monitored and targets are achieved.

- External factors can influence implementation delays, such as occurred during the 2014 elections when the Government of Cook Island agreed to the opposition party's request to suspend physical works to avoid issues around treating. In such case, the NAO should inform the EU in a timely manner and seek a modification of the indicator/target in line with the Financing Agreement.
- Sector oversight is better integrated into existing systems that work well, rather than creating new systems that may be weaker and less effective.
- Implementation delays need be monitored closely by the NAO and communicated early to the EU to determine an appropriate response where warranted.

Under the 10<sup>th</sup> EDF programme the sector failed to achieve its Key Performance Indicators, which included the installation of on-site domestic sanitation systems. This was partly due to the fact that it was the first time that the sector had received ODA under the Budget Support modality, poor understanding of this modality and a lack of communication between government agencies. These impediments have now been removed with the sector now having a far greater appreciation of the Budget Support modality and its potential consequences and communication between government agencies has improved. The sector has also improved its management structure and is more focussed on results and the outcomes of these results. It is reasonably expected that the implementation of the proposed 11<sup>th</sup> EDF Budget Support Programme will substantially benefit from this improved understanding.

### **3.2 Complementarity, synergy and donor coordination**

The National Sustainable Development Commission (NSDC) is the central authority with oversight for all government and development assistance activity and progress towards development outcomes. The Ministry of Foreign Affairs and Immigration is the political entry point for development partners, while the Ministry of Finance and Economic Management (MFEM) is the operational entry point for all partners to engage on the management and delivery of aid investments. Aid coordination is managed through the Development Coordination Division (DCD) of the Ministry of Finance.

Donor coordination in the Cook Islands is effectively facilitated through the Cook Islands official development assistance policy and linked to a medium term budget framework and the NSDP. Since 2011 the annual development partners meeting has provided an opportunity to better understand government's priorities and to co-ordinate development partner assistance, including gender priorities established in the NSDP, with Australia and UNDP having the main foreign funded gender initiatives. The Government has a long established harmonised arrangement with New Zealand and Australia whereby both countries' assistance is managed by New Zealand through a delegated management agreement. There have been ad hoc meetings of donors of the water and sanitation sector in the past and future development partner coordination will be led by DCD-MFEM in conjunction with key agencies in the sanitation sector, annually reviewing results through the national development partner forum. EU has been supporting the sanitation sector with Budget Support under the 10<sup>th</sup> EDF while other donors have focused on water delivery services under the coordination of the Government. The Infrastructure Committee reviews the sector activities quarterly.

The EU budget support program will complement the activities of the sanitation upgrade programme of New Zealand and serve the National Infrastructure Investment Plan priority #2 to upgrade sanitation systems in Rarotonga.

### **3.3 Cross-cutting issues**

*Environmental sustainability* is given high priority in the NSDP 2016–2020 through specific environmental goals and as a crosscutting priority in several of them. The programme will address the strategy by improving the treatment of sanitation waste with direct environmental implications. Since 2003 the Ministry of Marine Resources (MMR) has been monitoring the lagoons of Rarotonga, Aitutaki, Manihiki and Penrhyn and it has been identified that the lagoons and streams were high in faecal loads and nutrients, mainly in Rarotonga. The ecology of the lagoons in Rarotonga is thought to have become extremely vulnerable because of the extensive removal of the wetlands and the high concentration of residential and tourist accommodations which have increased the loading of sediments, nutrients, pathogens and toxic substances in to the natural lagoon ecosystem. In addition, the frequency of global impacts from extreme climatic events such hurricanes or droughts and saltwater intrusion from sea level rises due to climate change would be compounding the additional stresses to the environment. Sea level rise could accelerate the transfer of contaminated waters from the septic tanks to the lagoons, so the programme will take in consideration adaptation strategies for climate change. Therefore, the programme will have a direct impact in the quality of the marine environment and its biodiversity.

Land runoff and groundwater inundation without the advantage of siltation control or biological uptake of organics and nutrients by wetlands are associated with algal blooms, eutrophication and hypoxia. These impacts are thought to contribute to the systemic decline of the “health” of the marine ecosystem causing low levels of live coral and fish biodiversity. The lagoon seafloor has high concentrations of marine species which are detritus feeders such as sea cucumber and sea urchins. The ongoing water quality monitoring performed by the Ministry of Marine Resources (MMR) continues to show high levels of nutrients and solids, a major concern for the health of the Muri ecosystem. The implementation of a sound and effective sanitation policy will reduce the impact in the lagoon ecosystem of contaminated sewage not properly treated.

*Gender equality:* The national gender equality and women’s empowerment policy aims to ensure women’s participation in decision making, governance, and the economy. Women’s community groups, women members of parliament and traditional leaders are key stakeholders in improving sanitation management. There are relatively high levels of gender equality in the Cook Islands with women having high employment rates although there is a clear gender pay gap with women on average earning 20 % less than men. The Action, by supporting Cook pristine environment and tourism will contribute to improve the life of thousands of women employed in the tourism industry.

*Good governance:* Representation and the active participation of stakeholders including civil society in the institutional arrangements is a requirement of the sanitation policy along with a sector steering committee, with the National Infrastructure Committee fulfilling this role. Women are underrepresented in national government with there being only four female parliamentarians in the present parliament of 24 seats, despite this they are well represented in the Civil Service and the Private Sector.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

The overall objective of this Sector Reform Contract is to contribute to decent employment and the sustainable economic growth for the Cook Islands through sustainable management of

water and sanitation. The programme will assist the Cook Islands Government to achieve the NSDP 2016/2020 Goal 4: "*Sustainable management of water and sanitation*". This goal is in alignment with the previous NSDP 2011/2015 Goal 2: "*Infrastructure for economic growth, sustainable livelihoods and resilience*" maintaining its long term vision for the sector and therefore contributing to sustainable growth for the Cook Islands. The Sanitation Sector will continue to be a priority for the Cook Islands Government with the National Infrastructure Investment Plan 2015/2025 in place and the implementation of the new Sanitation Policy since June 2016.

The first specific objective (SO1) of the programme is to manage wastewater in a manner which protects public health and the environment. This comes from the Objective 1 of the Sanitation Policy that will contribute to achieve Goal 4 of the NSDP of the Cook Islands: '1. Ensuring that wastewater is managed in a manner which protects public health and the environment'. In addition, the programme interventions in the water and sanitation sector and the PFM Reforms will contribute to the competitiveness of the tourism sector. This is reflected in the second specific objective (SO2): improved competitiveness of the tourism sector. Policy dialogue in the sector and in PFM, together with an increased budget and efficient joint BS governance are the direct outputs that will contribute to the mentioned outcomes.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 6 "*Ensure availability and sustainable management of water and sanitation for all*", but also promotes progress towards Goal 14 "*Conserve and sustainably use the oceans, seas and marine resources for sustainable development*". The focus of this programme is also aligned with the new European Consensus as it is centered on people (focus on the Human Right to Water and Sanitation), planet (efforts to help address climate change challenges) and prosperity (supporting indirectly the tourism sector as the main source of income and employment). This does not imply a commitment by the Government of the Cook Islands benefiting from this programme.

## **4.2 Main activities**

### **4.2.1 Budget support**

Main activities will include the continued policy dialogue on water and sanitation with the Government with a minimum of one mission per year and alignment with Government priorities, the continued coordination with other donors in the sector and the regular monitoring of budget support eligibility criteria and sanitation and water sector performance through the annual development partners meeting and quarterly meeting of the Infrastructure Committee. In addition, macroeconomic development will be monitored, public finance management eligibility will be reviewed on the basis of government PFM reform strategy and budget transparency eligibility will be verified through public availability of appropriate budget documentation, timely submission of financial statement to the national audit office and scrutiny of the statement by the Parliament. Policy dialogue will cover gender issues at the sector level and in other gender related policies.

Sector activities supported by the SRC will include: developing strategic, technical and operational level, including core operations and project work; implementation of sector policy, plan and strategy (e.g. resource mobilisation, construction and upgrade of sanitation, drainage and water systems, strengthening regulations and compliance and capacity building across the water and sanitation sector). These activities will be supported by the transfer of EUR 1.35 million in fiscal year 2018/2019.

Financial additionality is a key element of the SRC as the sanitation sector will benefit fully from the sector budget support provided. The Programme will allow for increased level of spending in the sector that would complement projects funded by the Cook Islands Government and partners, such as New Zealand Aid. The 10<sup>th</sup> EDF Budget Support programme has focussed attention on the sanitation sector, highlighting its weaknesses resulting improved staffing levels, greater coordination between government agencies with the WatSan now regularly reporting to the Infrastructure Committee.

#### **4.2.2 Complementary support**

The Cook Islands is entitled to funding under the 10<sup>th</sup> and 11<sup>th</sup> EDF to promote regional economic integration, trade and business enabling environment and the involvement of the private sector in the context of the Economic Partnership Agreement (EPA).

Complementary support may be possible under this Action, with support available to both the PFM reform Programme and Macro Economic stability through the EU financed regional programme Pacific Financial Technical Assistance Centre<sup>7</sup> of the IMF based in Suva, Fiji. There will also be possibilities for assistance to be provided from the EU regional programme on Public Finance Management expected to be launched in 2016 (under the Pacific Regional Indicative programme, priority 3).

The involvement and participation of the private sector, in particular tourism facilities, is necessary to achieve the sanitation sector policy objectives. Therefore, the possibility of supporting the private sector through other regional initiatives supported by the EU, like the Pacific Private Sector Support (PPSS) Project and its Pacific Tourism Pride Programme implemented by the South Pacific Tourism Organization (SPTO), shall be explored. Blending facilities to support the private sector like the Investment Facility for the Pacific will also be considered.

#### **4.3 Intervention logic**

The financial support provided under this Budget support programme will continue to strengthen both government institutions and the links between them. Implementing agencies will have to interact more frequently and more strategically with the Ministry of Finance & Economic Management thus strengthening this linkage and the Cook Islands Government's own internal institutions.

Through the policy dialogue and in conjunction with other donors, especially New Zealand, the EU will be able to interact at a higher level with the Cook Islands Government. This policy dialogue will cover issues relevant to Macroeconomics and Public Finance Management etc and will not be "constrained" to the Water and Sanitation sector. Gender mainstreaming could be included in the dialogue with a special focus on the indicator related to income disparity between men and women.

Through the selection of the Key Performance Indicator, the progress made under the 10<sup>th</sup> EDF Budget Support programme will be consolidated, while at the same time promoting improved sanitation systems for the people of the Cook Islands.

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<sup>7</sup> Contract Number 2013/325167

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9 (4) of the Annex to Regulation No 322/2015.

### **5.3 Implementation of the budget support component**

#### ***5.3.1 Rationale for the amounts allocated to budget support***

The amount allocated for budget support component is EUR 1.35 million, and for complementary support is EUR 50 000. This amount is based on:

- The sector's previous performance under the 10<sup>th</sup> EDF Budget Support programme, which has led to a far greater understanding of the Budget Support Modality and has resulted in better communication within the sector and between government agencies;
- Commitment of the partner country to allocate national budget resources (including EU budget support) in line with development strategy and objectives and to follow standard national budget procedures;
- Track record and absorption capacity of past disbursements and how effectively agreed objectives were partially achieved with budget support operations; Result orientation in the partner country's development strategy including a monitoring system.

Under all the EU budget support programmes the Cook Islands Government has shown a reasonable track record and absorption capacity with all the fixed tranches having been disbursed.

An allocation of EUR 50 000 (4 % of the total amount) is set aside for evaluation purposes.

The Budget Support modality, although relatively new to the water and sanitation sector, is starting to become established, with the sector rising to the associated challenges (such as more strategic planning and responsibility for implementation) as well as the government changing the modus operandi of the WatSan unit to provide overall coordination to the sector.

#### ***5.3.2 Criteria for disbursement of budget support***

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the sector policy, and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the Cook Islands PFM Roadmap;

- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific condition for disbursement used for variable tranches is the following:

The submission of plans to upgrade the sewerage systems by commercial properties is the short term measure used for the specific condition. The plans must comply with the regulations established by the Ministry of Health and it is the first step towards the improvement of the sanitation conditions in the island. Once the plans are approved, the properties will have two years to upgrade the systems.

The chosen performance target and indicator to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, Cook Islands Government may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

### 5.3.3 Budget support details

The operational implementation phase of 48 months (signature of the FA) will be followed by a 24 months closure phase. The disbursement schedule is aligned with the Cook Islands budget year from July to June. The following schedule is proposed:

Country fiscal year	FY 2018/2019			
Type of tranche	Q1	Q2	Q3	Q4
Fixed tranche		EUR 650 000		
Variable tranche		EUR 700 000		
<b>Total</b>		<b>EUR 1 350 000</b>		

Ministry of Health will implement its policy and programmes from July 2017 till June 2018 to ensure that eligibility criteria continue to be met and that the indicator for the variable tranche is met. The achievement of the sector will be assessed at the occasion of the annual review, generally in the first quarter of each year. The Annual review of 2019 will trigger the payment request from the NAO.

The following tentative schedule is proposed:

Annual Review	NAO Disbursement Request	Monitoring Period	Planned disbursement	Budget year	Tranches	
February 2019	By May 2019	July 2017 - June 2018	July 2019	FY 2019/2020	Fixed Tranche	EUR 650,000
					Variable Tranche	EUR 700 000
					<b>Total</b>	<b>EUR 1 350 000</b>

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into New Zealand dollars will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

**5.4 Implementation modalities for complementary support of Budget Support**

(n/a)

**5.5 Scope of geographical eligibility for procurement and grants**

(n/a)

**5.6 Indicative budget**

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
5.33 – Budget support Sector Reform Contract	1.35 million	<b>0</b>
5.9 – Evaluation	0.05 million	N.A.
Totals	1.4 million	0

**5.7 Organisational set-up and responsibilities**

The National authorities and the Implementing Agencies, namely the Ministry of Finance and Economic Planning, shall be responsible for the implementation of the programme as outlined in the sector plan and its successors. The monitoring by the EU and the NAO will be through government-led sector coordination and through government/donor meeting, based on country reports and monitoring and evaluation systems, in line with Aid Effectiveness agenda.

**5.8 Performance monitoring and reporting**

Water and Sanitation Sector meetings for Cook Islands are held on a bi-annual basis, with the next meeting scheduled to take place tentatively in the month of August 2017, with the European Union invited as a member. All sector implementing agencies, (in particular the Ministry of Health, the Ministry of Marine Resources, the Environmental Services, Infrastructure Cook Islands and the Project Management Unit or the SOE to be established), development partners supporting the sector will be invited to attend. The bi-annual Sector Meeting will provide updated implementation reports and review of progress made in the sector and progress in relation to the targets set for the variable tranches for the previous financial year and other recent available data. Another reporting opportunity will be at the Donor Round Table Meeting which will be held in October 2017, indicatively.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s (Cook Islands Government) responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports

(not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision with a gender perspective), taking into account in particular the fact that there is only one disbursement planned in the middle of the implementation period. It will highlight the initial objectives of the programme, progress and results achieved during implementation, as well as lessons learnt.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in 2019.

## **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

## **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

## 6 [APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)<sup>8</sup>]

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Intervention logic	Indicators	Baselines	Targets	Sources and means of verification
<b>Overall objective: Impact</b>	OO 1. This action will contribute to decent employment and the sustainable economic growth for the Cook Islands through sustainable management of water and sanitation (Goal 4, NSDP),	1.1. Real GDP growth** 1.2. Total number of visitors per year 1.3 Reduction in the gender pay gap	1.1 Real GDP growth for FY 2011 to FY 2014 averaged 0.25 % 1.2. Visitor numbers averaged 121,683 per year from 2012 to 2014 1.3 Women earning 20 % less than men	1.1 GDP growth of 2.5 % by 2020. 1.2. Visitor numbers over 135 000 per year by 2020. 1.3 Earning gap to 15 % by 2021.	1.1.1 Performance Assessment Framework (PAF) of the National Sustainable Development Plan, Cook Islands Government. 1.1.2 ADB economic Assessments, 1.2 Ministry of Finance and Economic Planning Statistics 1.3 Ministry of Finance and Economic Planning Statistics
<b>Specific objective(s): Outcome(s)</b>	SO 1. Wastewater in the Cook Islands is managed in a manner which protects public health and the environment SO 2. Improved competitiveness of the tourism sector	1.1 Status of implementation of Sanitation Strategy and Master plan* 2.1 Level of contribution to the economy from tourism industry	1.1.- No Master Plan 2.1 – Real GDP growth in Services declined by 0.7 % from FY 2011 to FY 2014	1.1.- Sanitation Strategy and Master Plan for Rarotonga and Aitutaki by 2018 developed, and implementation started by 2018 2.1. Growth in contribution to the economy, as a % growth of GDP, from tourism industry by 2020	1.1.1 Official approval document of the Master Plan for Rarotonga and Aitutaki. 2.1.1 ADB economic assessments, 2.1.2 Ministry of Finance and Economic Planning Statistics

<sup>8</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

Induced outputs	<p>IO 1: Reinforced protection of lagoon water quality over time.  IO 2: Developed sector institutional framework.  IO 3: Strengthened PFM  IO 4. Improved treatment of effluents in the commercial properties  IO 5. Improved treatment of effluents in private dwellings.  IO 6. Sanitation (Wastewater Management) Strategy endorsed.</p>	<p>1.1- Status of Water Quality in the lagoons.  2.1 – Status of the New SOE for Water and Sanitation services  3.1- Status of Implementation of the PFM Roadmap  4.1 Percentage of tourist commercial properties with plans to upgraded sewerage systems that are accepted by MoH**.  5.1 Percentage of private properties complying with the Public Health Regulations 2014.  6.1 Reticulated wastewater system designed and budgeted.</p>	<p>1.1- Poorly treated effluent allowed to enter ground water and potentially marine environment. Threat to humans and marine ecosystem in November 2016.  2.1 No SOE for water and sanitation services created.  3.1. - 2013 PEFA Report – lowest scored 10 indicators  4.1 Baseline of 6 properties complying with regulation out of 365 in Rarotonga and Aitutaki in November 2016  5.1 To be determined in the inception phase OR the first year of operation.  6.1 No reticulated wastewater system approved.</p>	<p>1.1- Analysis of water quality meet standards by 2026.  2.1 SOE created by 2019  3.1- By 2018 (next interim PEFA self-assessment) improvement in the scores of the 10 indicators with lowest score in 2013.  4.1. 183 commercial properties with plans that are accepted by the MoH by 30th June 2018  5.1 10 % of private properties comply with Public Health Regulations by 2020  6.1 By 2019 the reticulated wastewater system is designed.</p>	<p>1.1 Ministry of Marine Resources laboratory analysis.  2.1 Official registration of the SOE.  3.1 2018 PEFA report  4.1 Ministry of Health reports on compliance of commercial properties.  5.1 MoH reports on compliance of private properties.  6.1 Endorsement of the reticulated wastewater system.</p>
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<b>Direct outputs</b>	<p>DO 1. Increased size of funds available for policy implementation (BS)</p> <p>DO 2: Improved policy dialogue in the water and sanitation sector. (BS )</p> <p>DO 3. Efficient joint BS governance and monitoring system is established.</p>	<p>1.1 Total amount in the state budget (Environmental Protection heading) for sanitation programmes and projects** .</p> <p>2.1 The Status of the Water and Sanitation sector meeting</p> <p>3.1 The Status of BS Steering Committee and the monitoring working group</p>	<p>1.1 Budget 2018/19</p> <p>2.1 Meetings in 2016 didn't include main donors</p> <p>3.1 Not established by 2016</p>	<p>1.1. EUR 1.35 million additional to the 2019/2020 national budget</p> <p>2.1 Water and Sanitation stakeholders meet twice a year including main donors, review reports are being discussed.</p> <p>3.1 Established in 2017, meets twice a year; review reports are being discussed</p>	<p>1.1 2019/2020 Budget</p> <p>2.1 Minutes of the Water and Sanitation sector meeting</p> <p>3.1 Minutes of meetings and discussions</p>
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