

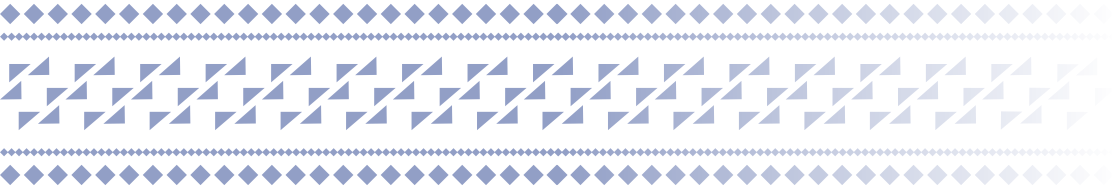


# Cook Islands Private Sector Climate Actions Report

November 2019



INTRA-ACP GCCA+ PROGRAMME An initiative of the ACP Group of States funded by the European Union's European Development Fund



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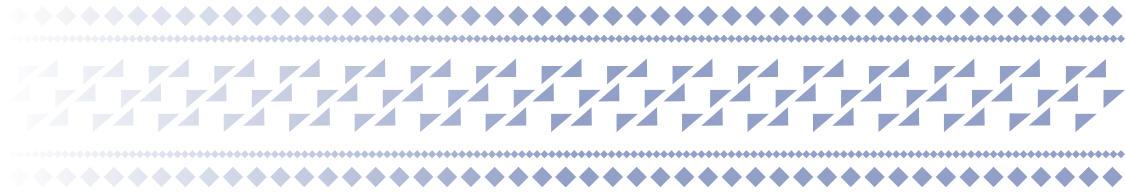
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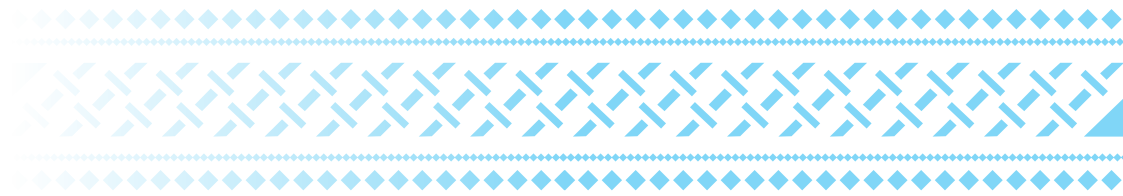
*Meitaki ma'ata*



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# Table of Contents

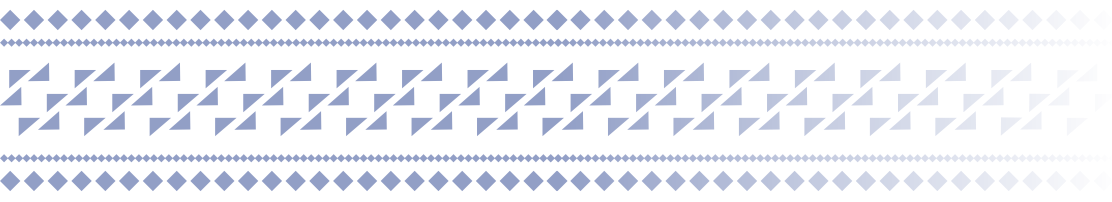
<b>Abbreviations</b>	<b>5</b>
<b>List of Annexes</b>	<b>6</b>
<b>Introduction</b>	<b>7</b>
<b>Cook Islands Climate Actions Participants Database</b>	<b>8</b>
Purpose	8
Methodology	8
Results	11
Conclusions and Recommendations	14
Viewing the Database	14
<b>Green Climate Fund and Adaptation Fund programmes in the Cook Islands</b>	<b>15</b>
Focal Point	15
<b>Adaptation Fund</b>	<b>16</b>
Strengthening Resilience to Climate Change	16
Pa Enea Action for Resilient Livelihoods	16
<b>Green Climate Fund Projects</b>	<b>17</b>
Renewable Energy in the Cook Islands	17
Accredited Entity Status	17
Readiness Funding	17
Simplified Approval Process Project Preparation Facility	17
<b>Public - Private Partnership High Impact Case Studies in Climate Change in the Cook Islands</b>	<b>18</b>
<b>Policy Brief - Private Sector Engagement in Climate Action</b>	<b>19</b>
Context	19
Consultation Process and Participation	21
Consultation Outcomes	21
Recommendations	21
Consultation Outcomes	23
Priority Next Steps	23
Summary	24
<b>GCF Concept Note</b>	<b>25</b>
<b>Cook Islands Private Sector Economic Resilience Project</b>	<b>25</b>
Preamble	25
<b>Annexes</b>	<b>26</b>



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# Abbreviations

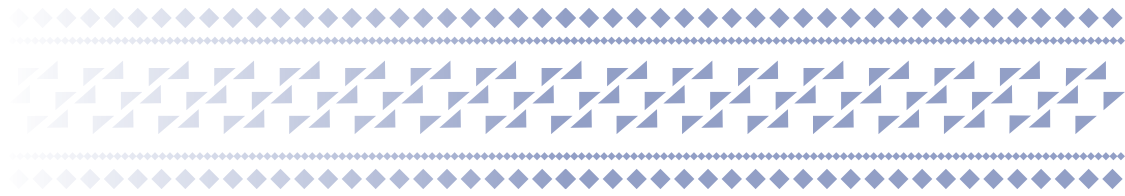
<b>AE</b>	Accredited Entity
<b>AF</b>	Adaptation Fund
<b>BCI</b>	Bank of Cook Islands
<b>CCCI</b>	Climate Change Cook Islands
<b>CICoC</b>	Cook Islands Chamber of Commerce
<b>CIG</b>	Cook Islands Government
<b>COP</b>	Convention of Parties
<b>GCF</b>	Green Climate Fund
<b>GHG</b>	Greenhouse Gas
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>JNAP II</b>	Joint National Action Plan 2016-20
<b>MFEM</b>	Ministry for Finance and Economic Management
<b>NDA</b>	National Designated Authority
<b>NDC</b>	Nationally Determined Contributions
<b>NGO</b>	Non-Governmental Organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PA</b>	Paris Agreement
<b>PEARL</b>	Pa Enea Action for Resilient Livelihoods
<b>PIFS</b>	Pacific Islands Forum Secretariat
<b>PPF</b>	Project Preparation Facility
<b>PPP</b>	Public Private Partnership
<b>SAP</b>	Simplified Approval Process
<b>SIDS</b>	Small Islands Developing State
<b>SRICC</b>	Strengthening Resilience in Climate Change
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change



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# List of Annexes

1. Private Sector Climate Change Workshop Report
2. GCF Concept Note: Cook Islands Economic Resilience
3. Terms of Reference: Cook Islands Private Sector Mapping Project



# Introduction

Within the context of the Pacific, the private sector is under-represented with regards to climate change action through GCF and other facilities. This is a recognised issue at the GCF and has to do with the structure and application mechanisms for private sector access. By far, the vast majority of private sector projects have been large scale mitigation projects - primarily solar power installations financed through intermediary banking institutions that blend GCF funds with other funds to amplify impact. The only benefactor in the Pacific of such a project is Papua New Guinea, which benefitted from a solar installation as part of a broader Asian mitigation project.

The Cook Islands government has indicated a commitment to increasing private sector engagement with a view that in order to build whole-of-society-resilience, the private sector needs to be engaged. This is being done at several levels including grass roots engagement in the Pa Enea (outer islands) through the likes of the PEARL Project (Adaptation Fund).

Therefore, the Cook Islands have requested assistance to conduct a private sector mapping exercise and to develop an initial GCF concept note for private sector economic resilience. The intent of the mapping project is to quantify the current investment in climate action by the private sector and to examine ways in which the private sector can contribute to national mitigation and resilience through their own actions and through Public-Private Partnerships with government for delivery of key services.

In order to best understand the landscape, this report has reviewed previous submissions to government, along with a workshop, a distributed questionnaire and individual interviews to better understand what the private sector is currently doing, and what the identified priority areas are.





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# Cook Islands Climate Actions Participants Database

## Purpose

To develop a data base showing businesses the current and future activities in climate change mitigation and/or adaptation.

The Cook Islands has been through a robust planning process to develop the Cook Islands Country Programme 2018 - 2030<sup>1</sup> for building resilience and reducing carbon emissions. That plan covers the public sector in its entirety and includes protection of State-owned assets, strengthening of infrastructure, developing green infrastructure and moving to renewable energy.

The strategy does not address in detail the conceptual issue of the resilience of our economy, beyond the resilience of State-owned assets. The driver of the economy is the Cook Islands' robust private sector<sup>2</sup>, however, just at the Cook Islands on a whole are considered highly vulnerable, the Cook Islands private sector, and by extension, the economy, are also highly vulnerable.

Therefore, in order to work towards aligning with, or including a private sector strategy in the Country Programme, the Cook Islands needs to better understand the current state of the private sector with regards to vulnerability, where investment is already occurring, and what more can be done. This is especially important for areas where works can be aligned such as for coastal protections.

By developing a database of private sector engagement, policy and decision makers can be better informed about the levels of current and projected investment in both mitigation and adaptation initiatives by the private sector. The database also collects information on planned but not costed measures and offers general suggestions for ways the private sector can add value to the Cook Islands' efforts to create climate resilience.

The database is also able to provide feedback directly to planners on priority areas for focusing climate investment for the private sector and find those projects that would be suitable for public-private partnerships.

## Methodology

Submission to the database is voluntary. Promotion of the database has been conducted through the mapping workshop participants list, the Chamber of Commerce membership and the Cook Islands Tourism Industry Council membership. Members are predominantly Rarotonga-based and therefore further engagement in Aitutaki is recommended to keep the database developing.

The database collects information that identifies the business, which is removed from any reporting. It can be made available to the project partners on request and upon agreement to honour the confidentiality commitment given to contributors.

Industry groupings have been aligned to the business categories measured by the Chamber of Commerce. Three levels of business sectoral engagement have been collected as many businesses operate across sectors and this needs to be collected so that, if required, we can better identify businesses working in a sector, even if it is not their primary sector.

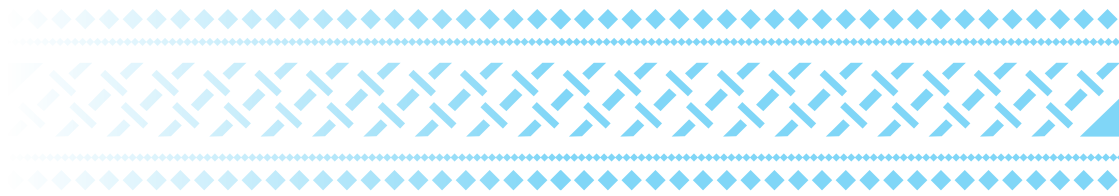
Questions are posed in the two thematic areas of mitigation and adaptation. The questions are designed to be self-explanatory so that participants do not need to understand climate change language to be able to correctly respond.

For both mitigation and adaptation, 3 questions are posed regarding levels of investment. These are designed to assess current investment in these areas, and to give some foresight into planned investment and other actions where cost may be prohibitive.

<sup>1</sup>[https://www.greenclimate.fund/documents/20182/1688867/Cook\\_Islands\\_Country\\_Programme.pdf/53426d65-caaa-b3d3-0742-994382d58284](https://www.greenclimate.fund/documents/20182/1688867/Cook_Islands_Country_Programme.pdf/53426d65-caaa-b3d3-0742-994382d58284)

<sup>2</sup>Cook Islands Budget Book 2019





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In addition to promoting the database questionnaire through the private sector representative bodies, it was also discussed and responses were encouraged at the Cook Islands Private Sector Workshop on October 1 and 2, 2019.

The data collected includes the following questions / fields:

Timestamp

Email address

Business name

Primary contact (person filling this form)

Island

Village

Predominant Industry Sector

Secondary Industry Sector

Tertiary Industry Sector

What current mitigation (carbon emission reducing) activities are you currently undertaking? (may include solar power, e-vehicles etc)

What is the approximate value of the investment in this?

What mitigation actions do you have in planning which are not yet implemented?

What is the approximate anticipated cost of this (if known)?

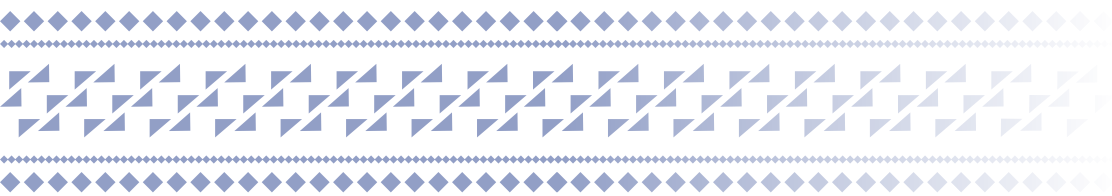
What other potential mitigation activities are there that are not planned for?

What is the approximate anticipated cost of this (if known)?

What current adaptation (building resilience and preparations) activities are you currently undertaking? (may include strengthening infrastructure, diversifying investments, putting coastal protections in place)

What is the approximate value of the investment in this?

What adaptation actions do you have in planning but not yet implemented?



What is the approximate anticipated cost of this (if known)?

What other potential adaptation activities are there that are not planned for?

What is the approximate anticipated cost of this (if known)?

Do you think climate impacts will affect your business?

What are your key concerns with regards to climate change impacts?

Is there anything else you would like to add?



## Results

The questionnaire has attracted 20 respondents out of about 200 businesses approached to date with the database still live to take further input.

Businesses range from national corporations to outer islands home businesses and span most sectors of the Cook Islands. Due to the concentration of businesses in the tourism sector, businesses related to tourism are the most highly represented. There is a notable absence of businesses in the primary sectors, either agriculture or fisheries (commercial as opposed to tourism / soft commercial). Further work will be done to include them.

It is likely that the respondents represent most businesses actively engaged in climate related investments although there was a relatively short time for inclusion before reporting, so if necessary, a further round of data collection can take place to expand responses if necessary.

The current number of responses represents about 5% to 7% of the Cook Islands formal private sector.

The results table is too large to be suitable for print format, therefore it is provided as an excel spreadsheet alongside this report.

### Private sector investment in climate change action

Total investment in mitigation activities by all respondents	\$3,672,000
Investment in mitigation per business	\$183,600
Total investment in adaptation activities by all respondents	\$12,585,500 (\$3,085,500) *
Investment in adaptation per business	\$629,275 (\$154,275) *

*\*Bracketed sums are after a large outlier has been removed.*

Investment in climate action by respondents totals NZ\$7 million. This does not include many family and small business investments in solar power through the Bank of the Cook Islands loan scheme for solar conversions.

The investments are split fairly evenly between mitigation and adaptation actions. Adaptation includes improving infrastructure resilience, improving financial resilience (increased cash reserves, reduced borrowing) and emergency management and planning.

Mitigation activities include solar power investments, investments in reducing power consumption and investments in EV transport.

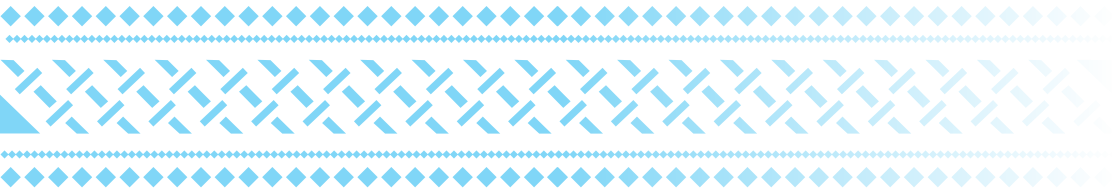


Figure 1 shows the distribution of these actions across the total value of investment.

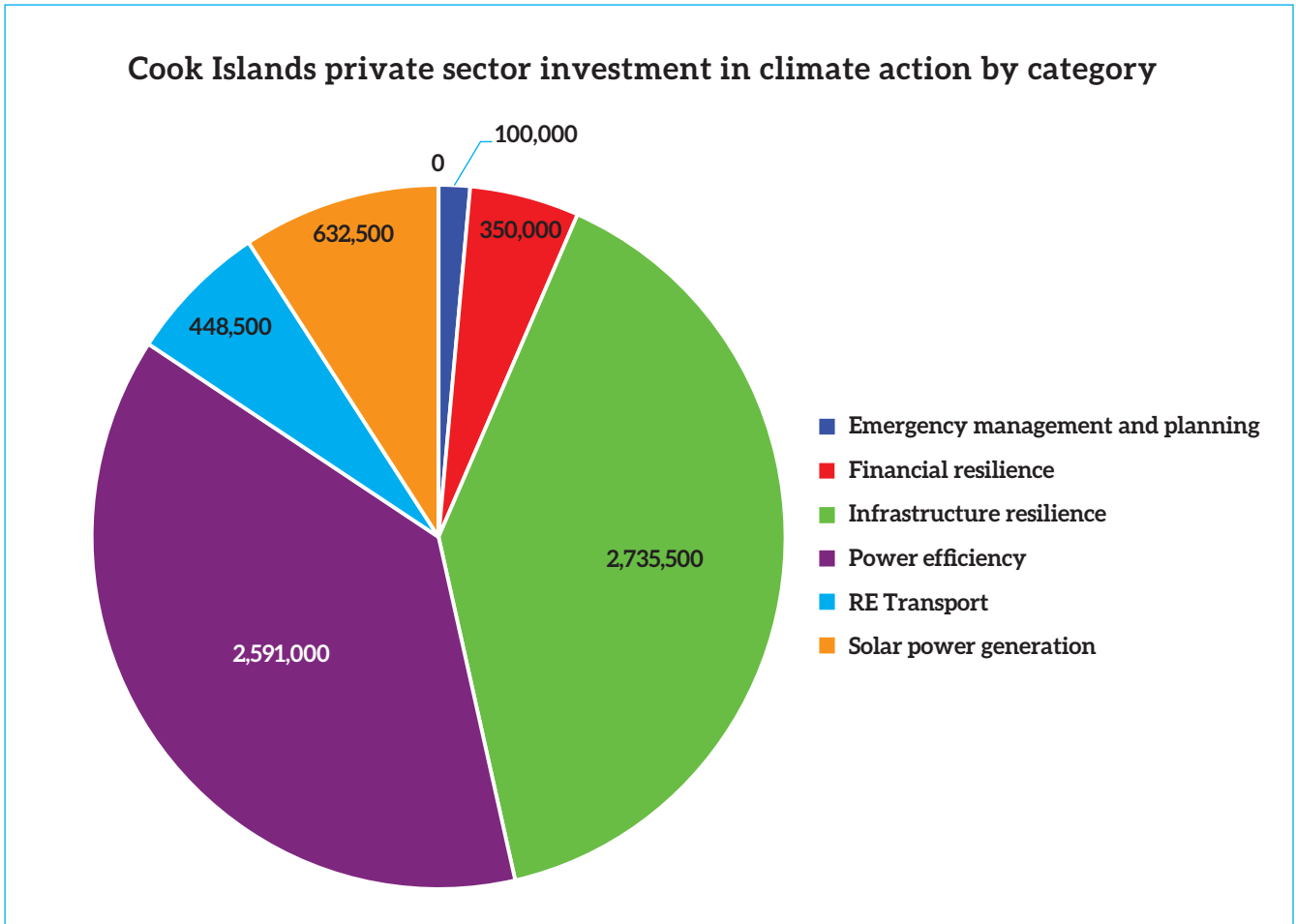


Figure 1 Cook Islands private sector investment by category

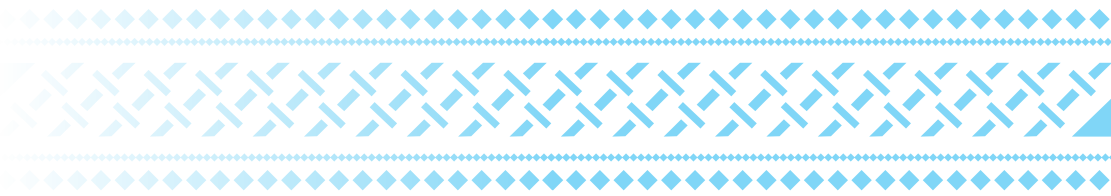
Some notable extracts from the submission and data include:

In response to - What current mitigation (carbon emission reducing) activities are you currently undertaking? (may include solar power, e-vehicles etc)

*“solar hot water, 2 kW solar panels, Electric car, truck, motor bikes, bicycles, lawn mower, leaf blower, chainsaw, line trimmer”*

*“Developing sustainable lifestyle for us and as educational tool e.g. solar & wind powered venting, waterless composting toilet, off grid solar power, grey water recycling, biochar, swales, mulching (basically capturing carbon for use/recycling carbon rather than releasing into atmosphere). Sustainable agricultural practice, as above/ no use of pesticides, herbicides etc. Reducing carbon footprint via reusing glass jars, providing for local market to reduce imports. Using glass instead of food grade plastic pouches for containers.”*

*“12kw solar and 50 kw battery system will increase capacity of both in 2020. 4 late model Nissan Leaf and one electric Mitsubishi Outlander 10 e-Bikes all power tools including chainsaw and lawnmower cordless plus running part of resort on solar system. No burning of anything recycle green waste as compost. Want to replace diesel coach with electric equivalent in 2021 all our vehicles to be electric by then”*



In response to - What mitigation actions do you have in planning but are not yet implemented?

*“We have a very limited power supply to our end of the island, so we investigated a solar powered Walk in Chiller and Walk in Freezer unit. Design was to be manufactured in NZ (out of Tauranga), but at a cost of >\$60k it was too expensive for us, so project was put on hold.”*

*“I do not have the funds available to do any major mitigation actions”*

*“going off the grid subject to new lease 2020”*

In response to - What current adaptation (building resilience and preparations) activities are you currently undertaking? (may include strengthening infrastructure, diversifying investments, putting coastal protections in place)

*“Comprehensive cyclone readiness and response plan”*

*“We are strengthening our structures by replacing nails with screws on roofs and other areas. We have been holding larger cash reserves for self-insurance. Offsite backup of our data.”*

*“we have re roofed all buildings with Palmex Original to strengthen our cyclone resilience. We are building stronger Cyclone Shutters to protect our buildings”*

In response to - What adaptation actions do you have in planning but are not yet implemented?

*“continue upgrading and installation of new Sewerage plant”*

*“Replacing existing glass doors with high strength glass”*

*“Diversifying our product range”*

All respondents agree with the statement - Do you think climate change will impact your business?

In response to - What are your key concerns with relation to climate change?

*“Insufficient Island Infrastructure to support impacts. Reduction in tourism. Depopulation. Lack of labour force.”*

*“Sea surge wind events and infrastructure collapse most important is the airport to continue operation”*

*“The environmental integrity and wellbeing of Cook Islands and the people residing here”*

The survey seeks to put some quantification on the value of engagement in climate mitigation and adaptation activities by the private sector. Due to the sample size, the values are not indicative of total investment. However, from some base analysis, some interesting figures can be extracted.

#### Private sector investment in climate change action

Total investment in mitigation activities by all respondents	\$3,672,000
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Total investment in adaptation activities by all respondents	\$12,585,500 (\$3,085,500)*
Investment in adaptation per business	\$629,275 (\$154,275) *

*\*Bracketed sums are after a large outlier has been removed.*



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## Conclusions and Recommendations

This survey and database captures key information on the current and potential future engagement of the private sector in climate change resilience and mitigation measures. The mapping workshop introduced theoretical areas of engagement, and in contrast, the survey and database contain concrete actions already undertaken. Used together, both are able to provide several pathways for policy planners to follow in order to engage the private sector and create positive actions and impacts through private sector led, PPP focused, and public sector-led projects.

Key concerns over future issues for the Cook Islands exclusively relate to resilience. Therefore, it would make sense to start to shape the finance profile in the direction of building resilience against climatic impacts. This resilience takes many forms. Built infrastructure is an obvious place to start, however the survey also includes higher level considerations around contingency planning in order to ensure services remain and businesses can recover quicker.

The database finds that while there is significant investment in mitigation, there is also, almost an equivalence of investment towards resilience. This is occurring without an incentive, however respondents state that lack of capital and access to finance is a limiting factor in further building resilience. Therefore, the Cook Islands should be looking at ways to assist the private sector to build resilience, possibly through grant and concessional loan mechanisms. The GCF Concept Note forming part of this broader report is designed to address this need.

One respondent stated they hold higher cash reserves due to the increased risk of damages and due to the fact that insurance coverage is not available. This is an issue more broadly reported elsewhere and a key reason why the Cook Islands needs a review of how the private sector is insured.

While this is a private sector business survey, one respondent highlighted the need for a facility or project to empower private households to become more resilient. Given that the impacts of climate change will affect individuals and families, it seems to follow that those persons should be able to access modalities that can allow them to build resilience.

## Viewing the database

The database is not suitable for printing. It has been supplied as an excel file along with this report to the PIFS. At the request of PIFS, the database can be loaded onto Google Docs for ease of sharing.

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# Green Climate Fund And Adaptation Fund Programmes In The Cook Islands

## Focal Point

The Cook Islands focal point for all Climate Change related engagement is the Climate Change Cook Islands Division of the Office of the Prime Minister. The Office is directed by Wayne King, who is also the GCF National Designated Authority for the Cook Islands.

The contact details for CCCI are:

Climate Change Cook Islands Division of the Office of the Prime Minister

### Wayne King

Director of Climate Change

Office of the Prime Minister, Private Bag, Avarua, Rarotonga, Cook Islands

Phone +682 25494

Phone +682 25 494

[wayne.king@cookislands.gov.ck](mailto:wayne.king@cookislands.gov.ck)

The Ministry of Finance and Economic Management is a GCF Accredited Entity and as such, also has a key national role in the delivery of climate related projects.



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## Adaptation Fund

The Adaptation Fund has supported 2 projects in the Cook Islands with a total investment across both of US\$8,380,725. These projects are predominantly focused on building preparedness and resilience of the 'Pa Enea', the Cook Islands more remote and less populated outer islands.

Both projects have minimal private sector engagement, however they do cross over to subsistence and small holder agriculture which in some cases may constitute micro businesses.

### Strengthening Resilience to Climate Change

Total grant funding through the Adaptation Fund of US\$5,381,600

Final project dates 14 Dec 2012 - 01 May 2018

The full set of project documents can be found at:

<https://www.adaptation-fund.org/project/strengthening-the-resilience-of-our-islands-and-our-communities-to-climate-change/>

The overall objective of this project was to strengthen the communities of the Pa Enea to make better informed decisions about climate driven pressures in a manner which is proactive, integrative and strategic. In order to achieve this, the programme aimed strengthen national institutions, increase inter-agency coordination and ensure effective delivery of national projects into the remote islands and communities.

The project also planned to develop the methodology to ensure relevant and timely information flow from central government to potential beneficiaries and stakeholders.

This programme had some focus on community agriculture but overall, there was no focus whatsoever on mainstreaming economic or private sector outcomes.

### Pa Enea Action for Resilient Livelihoods

Total grant funding through the Adaptation Fund of US\$2,999,125

Final project dates July 2018 - September 2021

The full set of project documents can be found at:

<https://www.adaptation-fund.org/wp-content/uploads/2018/01/6531ProposalforCookIslands-2.pdf>

The Pa Enea Action for Resilient Livelihoods (PEARL) Project moves on from the Strengthening Resilience in Climate Change (SRICC) Project under similar terms focused on resilience of the outer island Pa Enea communities.

Agriculture has an increased focus and is presented in a way that suggested economic security for these communities can be achieved through the development of agriculture in the targeted islands. It does little to mention market side work to improve access to markets, quality and supply chain issues.

There is also a new focus on water as a key issue that needs resolving through climate adaptation processes. This is framed as a State service and does not consider that the private sector can play a role in delivery of this key infrastructure.

The rest of the project focuses on much the same type of thematic areas as the previous project, being disaster preparedness and capacity to benefit from climate financing and grant mechanisms.





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## Green Climate Fund Projects

For information about Cook Islands engagement with the GCF, visit the GCF Country profile page. This details total GCF investments and has a database of all GCF related documents, the link for which is also provided below.

<https://www.greenclimate.fund/countries/cook-islands#overview>

There is currently only 1 project listed for the Cook Islands which does not have any private sector components. However, the Cook Islands are currently developing an infrastructure project which will include both public and private sector componentry. This is at an early scoping stage and more details will emerge by the 3rd quarter 2020.

<https://www.greenclimate.fund/countries/cook-islands#documents>

### Renewable energy in the Cook Islands

This project is part of the Pacific Islands Renewable Energy Investment Program. It is a region-wide programme aiming to reduce Pacific Small Islands Developing States dependence on diesel generated power. The programme covers the Cook Islands, Tonga, Republic of Marshall Islands, Federated States of Micronesia, Papua New Guinea, Nauru and Samoa.

### Accredited Entity Status

The Cook Islands Ministry of Finance and Economic Management has achieved accredited entity status with the GCF. Their accreditation status is in the small, least impacting scales of the GCF award criteria, most suitable for State projects of low environmental impact.

The Bank of the Cook Islands (BCI) are currently seeking accredited entity status. Once accredited, it is expected the BCI will work more closely with the private sector, however the modalities are not yet well understood.

Neither the MFEM nor BCI accreditations are suitable for a whole-of-private sector scale economic resilience project as the one presented in this report. Therefore, the Cook Islands still need to look towards external partnerships for projects of significant size or complexity with regards to risk.

### Readiness funding

The Cook Islands have accessed the readiness grant on multiple occasions. This grant is used to fund the strengthening and capacity building of the Cook Islands country office of the National Designated Authority and the capacity of the Ministry of Finance.

The current readiness grant has 2 outcomes related to private sector engagement and is a very good step towards integrating private sector actions with the public sector. Those outcomes aim to further consult the private sector and produce 8 further concept ideas to be added to those already identified.

The second part is to take the concept ideas and aggregate or distil them down to 3 further concept notes for GCF consideration.

### Simplified Approval Process Project Preparation Facility

The Cook Islands have applied through the Project Preparation Facility for support in writing applications for the GCF Simplified Approval Process. This will enable the Cook Islands to access the expertise required to create Project Proposals for GCF consideration. It is expected that this facility will also support private sector applications, although where projects are integrated it would make sense to have the applications completed at the same time so that they are aligned. An example of this is building coastal resilience and protecting key infrastructure in the coastal zone.

# Public-Private Partnership High Impact Case Studies In Climate Change In The Cook Islands

*“Public-private partnerships involve collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects, such as public transportation networks, parks, and convention centers. Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place.”<sup>3</sup>*

Using this definition, the Cook Islands have yet to implement any significant Public-Private Partnerships (PPPs) in Climate Change. A key outcome of this project is to provide the information to consider potential PPP projects with a climate mitigation or adaptation focus.

The Cook Islands have engaged private sector contractors in the construction of climate related projects. While this does not meet the standard of a PPP, it does indicate the development of low-level partnerships and commercial relationships in project delivery.

While also not a PPP by the technical definition, the many private sector investments in solar power generation are a significant contributor to meeting the Cook Islands renewable energy goals and contributing to climate change mitigation.

As the Cook Islands move to graduated status with the OECD, the government will need to broaden its market for where it receives funding. As concessional loans and grants become inaccessible, private sector financing through PPPs start to become a more attractive option. These types of partnerships can be used to drive development, both traditional and climate focused, that would otherwise be out of reach of the government’s organic financial capacity. In contrast to borrowing from offshore institutions, using locally based PPPs for development retains the revenue in the local economy and builds local capacity across the areas of investment.

Examples of successful PPPs from other jurisdictions that the Cook Islands can engage in, include water and wastewater management, roading, power generation and storage, and commercial buildings. It would take a shift in the present approach and appreciation to private sector involvement in such projects as the Government still retains the State services model where only the Government can provide or invest in the provision of essential services.



<sup>3</sup><https://www.investopedia.com/terms/p/public-private-partnerships.asp>



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# Policy Brief - Private Sector Engagement In Climate Action

## Context

Currently, the private sector of the Cook Islands is operating as individual businesses with regards to climate action. There is no nationwide coordination of either mitigation or adaptation measures, with businesses undertaking a range of activities as indicated by the survey.

The exception to this has been through the calls for investment in solar power production at various stages of the Cook Islands path to 100% renewable energy production. Initial calls say many small (<2Kw) installations have been promoted through a concessional financing model. Businesses also responded with larger investments, and in some cases, going off-grid, due to the Cook Islands' relatively high tariffs for power.

Currently there is a view to consolidate power generation and reduce the power purchase agreement tariffs which is more indicative of a move to fewer large-scale producers rather than the current model. Apart from power generation, the Cook Islands government has indicated an intent to work more closely with the private sector, and through this report and the associated private sector mapping project, will identify modalities for that to occur. The current round of readiness funding has specific outputs for private sector engagement and integration of the public and private sector pipelines for GCF applications.

The Cook Islands Private Sector has potential to be a key partner in climate change response and preparedness for both mitigation and adaptation work plans. In order to establish a truly resilient society, all stakeholders need to be included in the processes related to building that resilience. Being physically resilient is just one part of the many facets of our environment that need to be strengthened in order to become a nation that can withstand the pressures, both chronic and catastrophic, that face the Cook Islands.

The Government of the Cook Islands has proven to be leaders in developing the systems and capacity to action projects in both the mitigation and adaptation areas. They have demonstrated the ability to work with multiple agencies to achieve the goals that have been set. Examples of this include achieving Accredited Entity status with the GCF and the switch to renewable energy for our Pa Enea, our outer island communities. Partnering in some cases with Japan, and in others, with New Zealand, the Cook Islands have switched more than 8 communities to solar power generation with battery storage for 24-hour power supply.

As with many other developing states, the Cook Islands have been slow to fully integrate the private sector in the planning for climatic resilience. This is no surprise as the GCF itself has been slow to action the private sector portion of their portfolio in the Pacific, and slower again to identify the modalities for the adaptation part of the private sector allocation.

The Cook Islands Climate Change Policy 2018 - 2028 barely mentions the Private Sector and certainly has no policy linking private sector investment to climate change outcomes<sup>4</sup>. It takes a State-centric approach and leaves an opportunity to be updated to include a partnership approach to building social resilience through public and private sector channels.

Notwithstanding the above, the Cook Islands private sector has been early investors in climate change mitigation, particularly through investment in solar power generation. This was facilitated by an early adoption policy of the local power authority, alongside bank support by way of incentivised loans for solar investment. In addition to the many small-scale generators produced through this initiative, larger scale private investments have also been made based on the high value of solar power production, which is benchmarked against the diesel generation cost. While not meeting the definition of a Public-Private Partnership, this does indicate a willingness to work with the private sector when government capabilities are stretched.

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<sup>4</sup>Cook Islands Climate Change Policy 2018 - 2028, Climate Change Cook Islands

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Discussions held during the mapping project and subsequent interviews indicate that due to the increasing difficulty in buying insurance and the increased perceived risk, alongside strong cashflow from the tourism sector, some properties have been investing in the resilience of building and structures, although there remains much to do in this space. Short leases and cost of finance are limiting factors in how much property owners invest in resilience over investing in assets that generate immediate returns.

So far as building whole of society resilience, economic resilience is a key factor, especially for the Cook Islands. The Cook Islands may be developing resilient public infrastructure, but unless there is economic security, which underpins job and social security, society will not be able to survive the impacts of climate change. Any event that has significant impacts will result in outwards migration, as has been shown in the past, unless all levels of the economy can return to normal function as rapidly as possible.

This is due to the fact that all Cook Islanders are New Zealand passport holders, and in times of difficulty often the easiest individual choice is to move to New Zealand, to the family, community and state support networks and opportunities that exist there. The two most recent examples of this were the depopulation of Aitutaki, from 2000 residents to 1200, following cyclone Pat in February 2010, and the exodus of at least 2000 Cook Islanders to New Zealand during the Cook Islands financial crisis beginning in 1996.

In order to assess the opportunities for private sector engagement in climate resilience, several consultations were held, including a call for project proposals and a national private sector mapping workshop in relation to climate change.

Since the commissioning of this report, the Climate Change Cook Islands Office has included a private sector component in the Readiness Grant work plan. This inclusion starts to address what would have been a key recommendation, being the inclusion of private sector considerations in all national programmes and project development discussions.





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## Consultation Process and Participation

The process for consulting on this policy statement was predominantly through a National Private Sector Mapping Workshop. This added to the previous work done by Climate Change Cook Islands and the call for proposals that had gone out.

The workshop was conducted over two days, 1st and 2nd of October 2019. There was a total of 34 attendees representing both Rarotonga and outer islands communities. There was cross-sectoral representation, from subsistence agriculture through to large tourism resort properties. The report from the Chamber of Commerce on this workshop is attached to this report.

Alongside the workshop, a survey of business investment in climate initiatives was conducted. The data from the survey is included in this report in section 1, Cook Islands Private Sector climate actions participants' database. The results of this survey are used to inform this policy statement.

Following the workshop, additional interviews were conducted with stakeholders with specific interests and ideas for better private sector engagement including residents of the Pa Enuu. Throughout this reporting process, the Climate Change Cook Islands Office has been engaged, and the consultant has attended meetings with CCCI and Ministry of Finance and Economic Management in their capacity as the Accredited Entity and focal point for transactions.

## Consultation outcomes

The private sector of the Cook Islands has invested well over NZ\$5,000,000.00 excluding investments by individuals and companies in solar production. This places the direct private sector investment on par or beyond that of Government when donor and partner support funds are removed. Therefore, the Cook Islands private sector are major stakeholders in how the country builds resilience.

Consultations show concern at all levels of business activity, from the impacts of chronic climate change on agriculture and food production to the impact of stronger storm events on private sector infrastructure.

There were also several innovative ideas put forward for mitigation activities that the private sector can invest or partner in. While there are some actions that can be taken independently, there are others that require significant partnership with Government, either through statutory change, Public-Private Partnerships and other forms of Government partnership or intervention.

## Recommendations

1. Private sector considerations are mainstreamed in all climate related actions.

### Rationale

Private sector is a key partner in terms of investment and in terms of supporting society through the challenges of climate change. To be resilient, the Cook Islands requires a strong and resilient economy and that can only be achieved in partnership with the private sector. In addition, a full half of the GCF portfolio is allocated to the private sector. This presents significant opportunities for the whole of the economy and need to be leveraged.

### How to achieve this

Include a private sector representative in policy development discussions. Have a person in the Climate Change Cook Islands Office dedicated to addressing private sector issues. Open up the application processes for projects to the private sector in a meaningful way.

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2. Public sector infrastructure resilience assessments and strengthening incorporates private sector infrastructure as common practice.

**Rationale**

When investigating investment in public infrastructure such as roads, bridges and airports, particularly along coastlines, include assessment of private sector infrastructure and incorporate private sector resilience into project design. This will solve many vulnerability issues and stop the problem of working in silos between sectors. It also creates the benefit of an integrated management approach.

**How to achieve this**

Identify infrastructure for assessment by its location excluding specific ownership. As the assessments for vulnerability are created, ensure inclusion of all stakeholders. Once vulnerability maps are produced, then start to develop projects that are blended to include public and private sector funding and financing streams so that project works can take a wholistic approach to implementation.

3. Create an environment for Climate Resilience innovation

**Rationale**

The private sector provides development and innovation. This is true for climate change response as well. When the private sector calls for assistance through regulatory change, co-investing, human capacity and so on, government can respond in ways that show a partnership that supports the potential outcomes.

**How to achieve this**

Ensure a government-wide acceptance of the value of private sector input in technology development and innovation. Remove barriers and ensure communication is open and supportive. Set up structures that support innovative technologies in the Cook Islands.

4. Develop policies that promote local food production and enhance agricultural opportunities.

**Rationale**

Food production is a key element in many development challenges. It provides jobs for low skilled labour, substitutes for imports and provides healthier food alternatives to processed imports.

**How to achieve this**

Continue to conduct private sector consultations and support the outcomes such as those from the Agri Tourism workshop held in 2018. There are several relevant key recommendations on the table that have not been progressed. Key issues at present are access to labour, land tenure and transport to market for outer islands producers.

5. Climate projects consider private sector financing and management options to create genuine Public-Private Partnerships.

**Rationale**

There is currently no significant private finance of infrastructure projects in the Cook Islands. As it feels the restrictions of being an OECD developed state, it will need to diversify its borrowing sources. PPPs are a proven mechanism for achieving infrastructure development using private finance and management mechanisms for common good outcomes.

**How to achieve this**

The Cook Islands Government is encouraged to open up financing and management of infrastructure to tender by private companies. This can be done across power, waste, roading, electrification of transport and many other areas in order to facilitate a quicker transition to climate resilient infrastructure. Working with the private sector in innovative solutions, the Cook Islands can be a regional leader in adapting newer technologies through PPPs.

## Consultation Outcomes

In addition to the policy recommendations, this consultation and reporting process has increased the capacity of the private sector to take part in climate initiatives. More businesses are aware of the GCF process in particular and the Climate Change Cook Islands Office has included some minor private sector deliverables in the work plane for the current GCF Readiness grant.

This consultation has generated further concept ideas that will be developed through the 2020 readiness grant process and will result in further 3 GCF concept notes to be added to the first one done as part of this work and attached to this report.

Ongoing consultations between the Cook Islands Chamber of Commerce and Climate Change Cook Islands Office indicate a closer working relationship is developing and private sector opportunities are being better acknowledged than previously.

## Priority Next Steps

In order to progress private sector mainstreaming in climate resilience activity, the following steps should be considered:

1. Create focal point for private sector matters in the Climate Change Cook Islands Office.
2. Review and amend strategic and policy documents to include statements on private sector inclusion for economic and social resilience.
3. Develop a Terms of Reference for the Technical Advisory Group to facilitate and inform the processes for private sector inclusion.
4. Resource the Cook Islands Chamber of Commerce to become the private sector focal point for climate action.
5. Incorporate private sector assets in the planned coastal vulnerability assessment.
6. Incorporate funding for private sector climate resilience project planning in budgets.
7. Engage an appropriately designated Accredited Entity to progress concept notes to the next stage of project application.

**Table: Business Perceptions and Implications**

Serial	Task		Timeframe	Cost
1.	Private sector focal point in CCCI	CCCI	1 month	Nil
2.	Review and amend policies	Consultant under direction of CCCI	1 month	<\$15,000 for both outputs combined under 1 consultancy.
3.	Develop TOR for TAG	Consultant under direction of CCCI	2 weeks	
4.	Resourcing of CCoC	MFEM and CCCI (Readiness Fund)	Annually	\$20,000 per annum plus workshop and consulting costs as required.
5.	Incorporate private sector in coastal assessments	ICI, CCCI, MFEM	6 months	To be costed by the project team.
6.	Incorporate private sector considerations in budget planning.	CCCI, MFEM, TAG	Ongoing	Nil
7.	Engage an AE for project implementation.	CCCI, Private Sector team	36 months minimum	Nil

## Summary

Significant opportunities exist for whole-of-society benefits through the engagement of the private sector in climate action. The government can set the infrastructure and provide necessary social services, but it cannot provide the jobs, the wages - the fabric of what holds a society together. With easy migration options in times of challenge, the Cook Islands are highly vulnerable to population displacement. This has been the case in the past and it remains the case now.

Therefore, people need to be economically empowered through secure employment and opportunities. And the economy needs to be resilient in the face of climate threats.

By mainstreaming private sector with other national interests, the Cook Islands are simply aligning to the core intent of the GCF, which has a full 50% of its fund targeting private sector investment. If the Cook Islands fail to recognise this opportunity, then the associated benefits will be missed and the best the country can do is leverage its share of 50% of the GCF fund, the 50% targeted for public sector.

This is a whole-of-country issue, from the economic centres of Rarotonga and Aitutaki, to all the outer islands. Economic resilience will support social resilience, and this can be created through many avenues. Current goals of agriculture development are one option and stronger private sector engagement can help this work achieve greater success. Supporting innovative mitigation measures and co-planning private and public sector infrastructure resilience will both bring about more complete benefits for Cook Islands society.





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# GCF Conceptnote Cook Islands Private Sector Economic Resilience Project

## Preamble

The Cook Islands has a mature economy with a well-functioning private sector. This has supported the nation towards developed nation status as assessed by the OECD. However, the Cook Islands are considered highly vulnerable to climate change, and as a Small Island Developing State (SIDS) with several low-lying atolls, climate risks - both chronic and high energy storm events - will have an increasingly catastrophic impact.

Despite the strong economy, a narrow economic base and small concentrated geographical location means that the economy is highly vulnerable as well. Several factors contribute to this. The economy of the Cook Islands is based on tourism and the vast majority of investment is close to the coast. The Cook Islands people are New Zealand citizens, giving them access to New Zealand and Australia leading to depopulation in times of economic recession, which history indicates always occurs post storm events.

This concept note is drafted to present a project to increase the economic resilience of the Cook Islands through the strengthening of the private sector and its resilience to climate change. This is an adaptation project and is predominantly within the private sector space but there will be key linkages with the public sector required for certain activities, for example developing a coordinated approach to coastal protections. The Concept Note is included as an annex to this report.





Annex

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One

# Concept Note

Project/Programme Title: Cook Islands Private Sector Resilience Project

Country(ies): Cook islands

National Designated Authority(ies) (NDA): \_\_\_\_\_

Accredited Entity(ies) (AE): \_\_\_\_\_

Date of first submission/  
version number: [YYYY-MM-DD] [V.0]

Date of current submission/  
version number: [YYYY-MM-DD] [V.0]



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## Notes

- The maximum number of pages should **not exceed 12 pages**, excluding annexes. Proposals exceeding the prescribed length will not be assessed within the indicative service standard time of 30 days.
- As per the Information Disclosure Policy, the concept note, and additional documents provided to the Secretariat can be disclosed unless marked by the Accredited Entity(ies) (or NDAs) as confidential.
- The relevant National Designated Authority(ies) will be informed by the Secretariat of the concept note upon receipt.
- NDA can also submit the concept note directly with or without an identified accredited entity at this stage. In this case, they can leave blank the section related to the accredited entity. The Secretariat will inform the accredited entity(ies) nominated by the NDA, if any.
- Accredited Entities and/or NDAs are encouraged to submit a Concept Note before making a request for project preparation support from the Project Preparation Facility (PPF).
- Further information on GCF concept note preparation can be found on GCF website [Funding Projects Fine Print](#).

<b>A. Project/Programme Summary (max. 1 page)</b>			
<b>A.1. Project or programme</b>	<input checked="" type="checkbox"/> Project <input type="checkbox"/> Programme	<b>A.2. Public or private sector</b>	<input type="checkbox"/> Public sector <input checked="" type="checkbox"/> Private sector
<b>A.3. Is the CN submitted in response to an RFP?</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If yes, specify the RFP: _____	<b>A.4. Confidentiality<sup>1</sup></b>	<input checked="" type="checkbox"/> Confidential <input type="checkbox"/> Not confidential
<b>A.5. Indicate the result areas for the project/programme</b>	<p><u>Mitigation</u>: Reduced emissions from:</p> <input type="checkbox"/> Energy access and power generation <input type="checkbox"/> Low emission transport <input type="checkbox"/> Buildings, cities and industries and appliances <input type="checkbox"/> Forestry and land use <p><u>Adaptation</u>: Increased resilience of:</p> <input checked="" type="checkbox"/> Most vulnerable people and communities <input type="checkbox"/> Health and well-being, and food and water security <input checked="" type="checkbox"/> Infrastructure and built environment <input checked="" type="checkbox"/> Ecosystem and ecosystem services		
<b>A.6. Estimated mitigation impact (tCO<sub>2</sub>eq over lifespan)</b>		<b>A.7. Estimated adaptation impact (number of direct beneficiaries and % of population)</b>	7000, 60%
<b>A.8. Indicative total project cost (GCF + co-finance)</b>	Amount: USD _____	<b>A.9. Indicative GCF funding requested</b>	Amount: USD _____
<b>A.10. Mark the type of financial instrument requested for the GCF funding</b>	<input type="checkbox"/> Grant <input type="checkbox"/> Reimbursable grant <input type="checkbox"/> Guarantees <input type="checkbox"/> Equity <input type="checkbox"/> Subordinated loan <input type="checkbox"/> Senior Loan <input type="checkbox"/> Other: specify _____		
<b>A.11. Estimated duration of project/ programme:</b>	a) disbursement period: b) repayment period, if applicable:	<b>A.12. Estimated project/ Programme lifespan</b>	This refers to the total period over which the investment is effective.
<b>A.13. Is funding from the Project Preparation Facility requested?<sup>2</sup></b>	Yes <input type="checkbox"/> No <input type="checkbox"/> Other support received <input type="checkbox"/> If so, by who: _____	<b>A.14. ESS category<sup>3</sup></b>	<input type="checkbox"/> A or I-1 <input type="checkbox"/> B or I-2 <input type="checkbox"/> C or I-3
<b>A.15. Is the CN aligned with your accreditation standard?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<b>A.16. Has the CN been shared with the NDA?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<b>A.17. AMA signed (if submitted by AE)</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> If no, specify the status of AMA negotiations and expected date of signing: _____	<b>A.18. Is the CN included in the Entity Work Programme?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>A.19. Project/Programme rationale, objectives and approach of programme/project (max 100 words)</b>	The Cook Islands are a micro state of less than 20,000 people which has a narrow economic base in tourism which is highly geographically constrained. More severe storm events predicted have an enhanced potential to devastate the Cook Islands economy. Current resilience actions are public sector focused. This project aims to address the significant vulnerabilities of the private sector with the intention of creating a more resilient economy in the face of climate catastrophes. This project is proposed by the Cook Islands Chamber of Commerce with support from the NDA.		

<sup>1</sup> Concept notes (or sections of) not marked as confidential may be published in accordance with the Information Disclosure Policy ([Decision B.12/35](#)) and the Review of the Initial Proposal Approval Process ([Decision B.17/18](#)).

<sup>2</sup> See [here](#) for access to project preparation support request template and guidelines

<sup>3</sup> Refer to the Fund's environmental and social safeguards ([Decision B.07/02](#))



## PROJECT / PROGRAMME CONCEPT NOTE Template V.2.2

GREEN CLIMATE FUND | PAGE 2 OF 4

## B. Project/Programme Information (max. 8 pages)

### B.1. Context and baseline (max. 2 pages)

The Cook Islands are a large ocean state consisting of 15 islands widely dispersed in the tropical South Pacific east of Samoa and Fiji. The nation is geographically defined by Northern and Southern groups of islands. The Northern group islands are the most isolated and are all low lying atolls with one sandy cay. The Southern group islands have 1 inhabited atoll, 1 island that is almost an atoll, 4 raised ancient atolls and one relatively young island with high peaks and a fringing reef. The majority of the national population resides on the youngest island, Rarotonga with Aitutaki, the almost atoll, being the next most populous and economically active island.

The Northern Cook Islands and the atoll in the south are considered highly vulnerable to climate change. If predicted sea level rises are realised the populations of these islands will be displaced. The Southern Islands, for the most part being raised atolls with 1 young peak volcanic island, are less threatened by sea level rise and have the space, natural and social capacity to adsorb the populations of the Northern Cook Islands. Therefore, the country as a whole is not going to experience total displacement as a result of climate change induced sea level rise.

The Cook Islands heavily relies on tourism as it's economic driver. Tourism contributes over 60% of GDP directly, and indirectly is likely to make up over 85% of GDP. Having a narrow economic base is a characteristic of a micro state and increases the economic risk of the country should the tourism sector be heavily impacted. The most significant acute threat to tourism is a large scale storm event hitting the economic centre, Rarotonga.

The tourism industry exists predominantly on the island of Rarotonga, with over 80% of room stock being within 150m of the coast, and raised only marginally about sea level. All of the islands commercial development is in the coastal fringe, with the interior of the island dominated by steep mountains. Therefore the Cook Islands economy is exposed to extreme vulnerability in the event of the more powerful storm events predicted and occurring due to climate change.

A near miss of the Cook Islands second most populous island, Aitutaki, by Cyclone Pat in 2010 caused significant damage and reduced tourism receipts. The population also retracted with an estimated 800 people out of 2000 leaving the island due to damaged housing and impacts on their employment.

The risks are exasperated by a high cost of insurance, or no insurance for some climate related risks. In the deregulated market insurers have been free to adjust their pricing and coverage in response to their perceptions of the changing risk profile presented by climate change. What this has meant is that the cost of any coverage for damages from storms above category 3 is practically unachievable. Insurance coverage for damages from storm surge is not available.

The Cook Islands has a relatively high cost of finance typical of developing island states. Therefore, when businesses invest in infrastructure, they invest in increasing inventory to seek a return rather than investing in upgrading or building resilience of existing structures. This is an economic reality and while a theoretical assessment of risk might indicate investment would be better directed towards resilience, the cost of finance negates this in practical terms.

The vast majority of buildings built for tourism in Rarotonga and Aitutaki are built to the accepted building code of the Cook Islands. This code was reviewed and updated in 2017 and has incorporated some improvements over the previous code to consider storm and climate related risk, but will benefit from a light touch review as part of this project to ensure the standards align with the industry best practice and insurance requirements. There is currently no requirement for existing buildings to conform to the new code.

With regards to national priorities, this project aligns to the Cook Islands Country Programme for Climate Change in the following areas;

#### Programmatic Area 2: Coastal Protection and Restoration

The public infrastructure focus of current and proposed works by the Cook Islands Government do not include coastal lands which are privately owned. Given that entire coast of Rarotonga (with a few minor exceptions) is privately held title down to mean high water spring, very little of the coast will be protected by Government works. This project will provide the mechanisms for property owned by businesses to have the adjacent coast secured and protected in parallel to the works being conducted for public infrastructure protection.

#### Programmatic Area 4: Disaster Risk Management

The current DRM framework has some consideration of private sector partnerships but has little focus on building resilience of privately-owned infrastructure to build resilience. This project aims to address this by reducing risk from

disasters in several parallel ways, as discussed in the previous section. Resilience, preparedness, insurance and post disaster recovery are all addressed.

#### Programmatic Area 6: Climate Proofing Infrastructure

The core focus of this project is the climate proofing of private sector infrastructure to reduce vulnerability of our economy to severe storm events and speed up post disaster recovery of our economy by having infrastructure and institutional responses in place to get back to business with as little disruption as possible.

#### Programmatic Area 7: Flood Management

Work on managing flood waters will take place alongside the work on infrastructure resilience as one of the key issues facing the Cook Islands during storm events. Recent high rainfall events have impacted on the private sector as well as public infrastructure. Flooding as a result of rainfall and storm surge are significant impactors of high energy storm events and as such, make up a key component of building resilience.

#### Programmatic Area 8: Agriculture and Ecosystem Based Adaptation

Our tourism industry has a high reliance on fresh produce and storm events impact on supply significantly. It is expected that this project will explore ways the private sector can adapt farming systems to become more resilient to climatic events.

With regards to ecosystem based adaptation, our coastal fringing reef provides not only the natural protection from ocean waves, but also the environment our tourism industry is centered around. This project will explore ways enhanced ecosystem adaptation can be used to improve the environmental quality, particularly of our reef systems, and in doing so, build natural resilience that compliments other hard and soft infrastructure work.

This project aligns to the Cook Islands National Sustainable Development Plan's following goals and indicators.

Goal 13. Strengthen resilience to combat the impacts of climate change and natural disasters;  
Indicators

13.2 Enhance protection from cyclones and  
13.3 Build resilient infrastructure

Goal 15. Ensure a sustainable population engaged in development of Cook Islanders for Cook Islanders;  
Indicators

15.1 Support a sustainable population

## B.2. Project/Programme description (max. 3 pages)

This project aims to build economic resilience of the Cook Islands in the face of catastrophic and chronic climatic events linked to anthropogenic climate change. The fundamental chronic impactor for the Cook Islands is sea level rise, which threatens coastal communities, developments and investments. Sea level rise coupled with increased severity of storm events leads to catastrophic events that present a significant threat to the Cook Islands economic stability.

Therefore, working in alignment with the Cook Islands Governments plan to improve coastal protections and build more resilient public sector infrastructure, this project will provide mechanisms for the private sector to concurrently strengthen commercial infrastructure and develop the other necessary elements to ensure our economic recovery post cyclone is as quick and efficient as possible.

The overarching mission of this project is to;

Build the economic resilience of the Cook Islands to climatic events.

This project has 3 core objectives;

1. Increase the resilience of private sector infrastructure to climate change.
2. Develop insurance mechanisms that provide the necessary coverage for the predicted events.



3. Create disaster preparedness plans for the private sector which include the necessary steps to return market confidence quickly to the tourism sector.

In order to achieve these objects several project components are necessary, encompassing the actions required to achieve the planned outcomes. The core objectives can be actioned in parallel, following different work streams, albeit concurrently.

### **Project components.**

#### **Preliminary work**

Assessing the cost of building private sector resilience (infrastructure)

In order to properly cost this project a preliminary piece of work needs to be conducted to do a general assessment of the cost of the private sector building resilience through infrastructure upgrades to meet required standards. This work would cover most key commercial structures through consultations with owners so that the vulnerabilities can be identified and remedial works costs estimated.

This work will then inform the project of the level of investment required by the fund in order to achieve the desired outcomes. The time frame for this piece of work is estimated at 3 months and could be done as part of a readiness grant or other mechanism outside of this project.

#### **Objective 1. Increase the resilience of private sector infrastructure to climate change.**

##### Action 1a. Coastal protection

In order to ensure we have a cohesive coastal protection plan this project will link in with the work being undertaken by Government to examine and plan for resilience and protection of assets through the strengthening of engineered coastal protections. The needs of the private sector in this regard will vary depending on the adjacent land use. With boundary affects being a concern when hard build structures are put in place it is absolutely necessary to have a coordinated approach to this work. It is therefore necessary to consider the varying adjacent land uses as a fuel farm will have vastly different needs to a beach front resort. These need to be linked in to a comprehensive coastal protection strategy so that works are complementary between public and private sectors, and not done in a way that exasperate negative boundary affects.

##### Action 1b. Reviewing the building code and amending if necessary.

The Cook Islands have recently reviewed and improved the building code to bring it in line with modern requirements. This review took into consideration the significant environmental threats that did not inform the previous standards. Therefore the current standards should be fit for purpose, however in order to ensure this project covers all necessary risks, they will be reviewed and any gaps identified will have amendments drafted for legislative approval. As this project will also include an insurance component a key factor in managing insurance risk is ensuring the correct standards are in place and that assets comply with those standards.

##### Action 1c. Building private sector resilience / reduce economic risk through grant and loan facilities for infrastructure strengthening

The main focus of this project is Action 1c, building private sector resilience. The rationale has been given previously. Buildings in the Cook Islands have been developed over the past 60 years and to a varying degree of resilience, based on the old building standards and lax compliance requirements. Given that the vast majority of private sector development is in the coastal zone, taking advantage of the natural assets for tourism potential, risks of material damage and loss are high.

In order to build our economic resilience, i.e., to be able to return quicker to a functioning economy post disaster, the Cook Islands needs private sector infrastructure that can withstand the predicted storm events, and insurance mechanisms that can respond quickly to get damages repaired.

Therefore, this project will establish a private sector facility where predominantly concessional loans will be given to businesses and individuals in the private sector in order to carry out the works related to building resilience. It is suggested that some grants also be made available for the increased protection of key private sector assets that contribute to our tourism economy, but do not return commercially to their owners.

Concessional loans will be used to build the structural resilience of assets up to the standards prescribed in the building code and agreed to by insurance companies as sufficient to receive adequate coverage. This will likely include coastal protections, roofing and other hard infrastructure upgrades, window strengthening, flood protection and mitigation, undergrounding of services and other infrastructure upgrades.

*Why are concessional loans necessary?*

*The Cook Islands has high interest rates when compared to New Zealand and Australia. Land tenure is also by way of lease with a maximum term of 60 years. These two factors lead to the fact that investment which requires borrowing is better spent on infrastructure that increases short term returns, rather than building long term resilience. Building a new block of rooms, or a bungalow or two, brings immediate economic returns in a growing tourism economy required to repay the high interest loans. Building resilient of existing structures does not bring about any immediate return, therefore these investments are put off. However, the industry has indicated that given the right access to finance, building resilience is a priority as the risks are recognized.*

**Objective 2. Develop insurance mechanisms that provide the necessary coverage for the predicted events.**

Action 2a. Understand the current commercial insurance landscape.

Research current commercial options for insurance, working with current providers in the Cook Islands and around the region, to identify the current products and their limitations with regards to the risk environment presented by climate change. Anecdotal evidence currently suggests that comprehensive coverage is not economically viable for many operators, and coverage to cover inundation of coastal properties is impossible to get. By working with commercial insurers we will be able to better understand the risk profile and where improved resilience can open up insurance mechanisms and reduce cost.

Action 2b. Identify state and regional facilities under development.

Insurance coverage has been a considerable issue for the state sector over the past decade and several mechanisms have been developed to start to better address state vulnerability to climate disasters. Talk around the Pacific regional table is that there may be an opportunity to extend one or more of these facilities to cover commercial institutions. This project will work with these state and International organisations to find the best way to complement commercial insurance providers with these newly developing facilities to provide the best coverage and response post disaster.

Action 2c. Map out the private sector insurance landscape.

Integrating 2a and 2b, this project will map out the insurance landscape as it relates to the private sector and identify the gaps in coverage related to climatic disaster events. We can then work with government and other institutions to layer products and facilities in a way that provides coverage for all sectors, from the informal to the corporate, and at levels of coverage and responsiveness that see jobs protected and businesses reinstated as quickly as possible post disaster.

**Objective 3. Create disaster preparedness plans for the private sector which include the necessary steps to return market confidence quickly to the tourism sector.**

The Cook Islands has a narrow economy and therefore is highly vulnerable to significant economic downturn in the event of a climatic disaster. A key element that reduces the time it takes for the economy to recover is the external perception of the state of services post disaster. Immediately trips are cancelled and rebooking takes time. It is often based on the public perception in the markets rather than the facts of the situation on the ground.

Because the world likes bad news any story that indicates damage and suffering will become the flagship story to describe the destination and until the story is actively replaced it will sit in the minds of people. Therefore this objective will develop a communications strategy that can be activated automatically post disaster to ensure the markets are fully aware of the functionality of services, safety of the destination and the benefits of getting to the Cook Islands on holiday as quickly as possible. The strategy will include on the ground actions to ensure key tourism services are restored alongside community services and the state of public services such as water, electricity, transport and so on are updated regularly to the markets. The overarching goal is to turn post disaster media into a story about rapid recovery and hope, and away from disaster and suffering.

This work will be conducted in partnership with the Cook Islands Tourism Corporation and the Disaster Risk Management to ensure full coordination of the processes.

This project is consistent with national frameworks in so far as the National priorities as expressed through the National Sustainable Development Plan and the Cook Islands Country Programme for Climate Change are fully considered and in agreement with the goals of this project.

The Cook Islands Government, like many in the region and throughout the SIDS network, has focused on adaptation through building resilience of state owned infrastructure and supporting communities. While there is a recognition of the value of the private sector to the economy, in many developing states the considerations of the private sector have yet to be mainstreamed. This leads to a disjointed set of priorities that can inadvertently leave out significant stakeholders.

For example, a programme to develop coastal protections of state assets and key infrastructure that does not consider adjacent privately held infrastructure will not generate to most comprehensive and effective strategy for reducing overall risk. Such a programme should consider all stakeholders at the planning stage so actions can be linked and coordinated, even though the executing and financing mechanisms may differ.

This project aims to work within the legal frameworks of the Cook Islands to ensure increased resilience through the necessary review and amendments of regulations, and possible legal mechanisms to ensure insurance coverage is obtainable.

This project concept note is developed in coordination with and the support of the Climate Change Cook Islands Office. The NDA is supportive of developing a project to build private sector resilience through the adaptation allocation of the GCF private sector facility. As the overall value of this project is not yet known, but could well exceed the \$50million upper limit of our locally based Accredited Entities, it is likely an external AE will need to be incorporated to continue the application and development of this project. There are several option in the region, in both the private sector and NGO space that may show an interest.

The National Implementing Partner will be the Cook Islands Chamber of Commerce. The CICoC is well placed to centralize and coordinate in country processes and outputs in order to deliver this project for the Cook Islands private sector and for the benefit of all beneficiaries of the Cook Islands economy. The CICoC is prepared to work with the appropriate AE and Executing Entity once they are identified.

Financial and Operational Risks

A key risk from the outset of this project is the ability of the GCF Private Sector facility to work in the adaptation space in such a way that it can provide financing mechanisms. The recent history of the private sector facility has been in mitigation where GCF capital is used to leverage through blending, other funds to work towards investments, primarily in energy capture, which provide a bankable return. In the case of reducing future vulnerability the investments do not present a predictable, bankable return, and therefore cannot work with the standardized banking models currently used by the GCF to deploy private sector financing.

To overcome this risk the project proponents will work with an AE and the GCF to develop the mechanisms and modalities to make such logical adaptation projects viable and actionable through the GCF. Through the various fora provided by the GCF on this matter there is a clear intent to deliver a project such as this, therefore we need to work out how to do so within an acceptable financing framework.

The uptake of this project will depend significantly on the cost of the finance offered. If the facility is blended in such a way, or presented to a commercial operator to administer, that raises the interest rate above a highly concessional rate then the uptake and effectiveness of the project will reduce. It is therefore necessary to ensure that through the design, the cost of finance to the end user is kept as close as practically possible to the rate the GCF requires from its investment. In order to create buy-in the loan facility may also be combined with some grant funding for specific actions that are not directly related to economic activity, such as employment retention, community resilience through business strengthening and so on.

With any investment there is always a risk of defaulting payments. To mitigate this, like any fund, this project aims to spread risk amongst a high number of borrowers. The facility would be expected to be delivered through a banking institution, or if not, through an institution with the same capacity as a bank to manage such a facility.

In order to make sure as much of the private sector as possible can partake in this project, through will need to be given to how the informal sector in engaged. Rarotonga has a significant informal sector and ensuring they have access to the same opportunities is recognized as a key goal of equitable delivery of such a project.

## Impact potential

The Cook Islands presents an interesting case with regards to its particular vulnerabilities. When examined alongside other small islands developing states of the Pacific, and especially those low lying atoll states, the Cook Islands has an additional layer of risk as a result of its highly mobile population. The mobility of the population is based on the fact that all Cook Islanders hold New Zealand passports, and are in fact, New Zealand citizens, with every right afforded to a New Zealand citizen. These rights include the right to reside in Australia.

This risk is not theoretical. During the late 1990's the Cook Islands experienced a significant economic catastrophe in the form of a collapsed economy. This event saw a significant number of Cook Islanders leave the country and take up residence in New Zealand and Australia. In 2009 Cyclone Pat in Aitutaki saw again a significant outward migration, supported by the fact that people can move to New Zealand and immediately enter that society with all its benefits.

Both the chronic and catastrophic risks associated with climate change have the potential to impact the Cook Islands in similar ways. This project looks to limit the economic damage caused by predominantly catastrophic climate change induced weather events so that the population is able to recover faster and therefore less likely to migrate.

It is achieved through the increased resilience of the private sector through the fulfilment of the 3 stated objectives. All are aimed to create a more resilient private sector which, due to its narrow base and restrained geographical location, is highly vulnerable to a significant storm event.

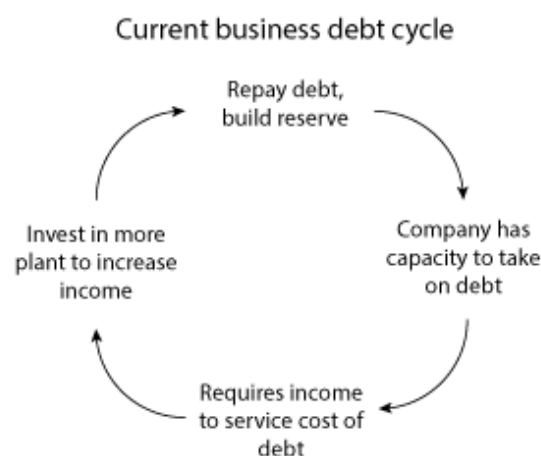
The tourism sector has over 4000 direct beneficiaries out of a total population of 12000, with the rest of the population indirectly reliant on this industry. Therefore this project will directly benefit over 30% of the Cook Islands population and indirectly benefit over 90%.

The impact of this project will be an economy far better placed to survive through the pending elements of climate change most likely to cause devastation. The majority of the impact will be in the economic centres of Rarotonga and Aitutaki, but it is expected there will also be some benefits in our less industrial communities and islands as well as well.

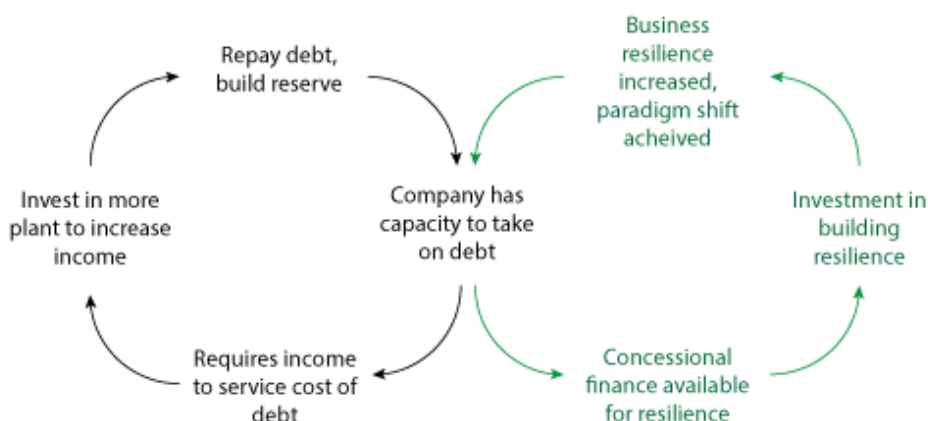
## Paradigm shift

There are several shifts from the status quo being driven through this project. The first is vision to have fundamental change in the preparedness and resilience to higher energy storm events of the private sector. This includes a mind shift in the necessity to build robust structures that conform to the building code well beyond the lifecycle of this project. This will be achieved through the project by lifting the standards currently in place, getting buildings resilient and embedding those value in asset owners.

The core vision to achieve the necessary change is to move the investment in private sector infrastructure to a cycle that includes resilience as a key component. ensuring that resilience is understood to be an intrinsic element of our built environment. In order to achieve this the project will introduce an additional cycle in the business development process through access to low cost finance for resilience. This will result in an initial boost in older structures improving resilience, and embed this consideration in the development cycle.



Business debt cycle incorporating resilience facility



After the life cycle of the financing aspect of the this project the reviewed building standards will ensure that all new structures are built to the required standard, eliminating the need to revisit this issue in the future and therefore creating the systemic change expected of such a project.

This project also presents an opportunity to scale up to a regional project for similar SIDS. It can also be broadened to incorporate private dwellings to increase community resilience utilizing the same sort of concessional financing mechanism.

**Sustainable development potential**

The Cook Islands sustainable development plan is the national plan for aligning to and implementing the Sustainable Development Goals of the UN Agenda 2030.

This project aligns to the sustainable development plan of the Cook Islands, specifically to Goal 13 - Strengthen resilience to combat the impacts of climate change and natural disasters. The indicators for this goal, when related to the private sector, are the genesis for the project and are directly addressed by the projects vision and actions. The indicators are 13.2 Enhance protection from cyclones and 13.3 Build resilient infrastructure.

The core focus of this project is to enhance protection of commercially owned infrastructure through structural strengthening, coastal protections and so on and to in doing so, to build resilience of infrastructure. The project goes beyond these elements to also consider other mechanisms to improve economic resilience including insurance mechanisms and disaster contingency planning for market confidence.

Goal 15 - Ensure a sustainable population engaged in development of Cook Islanders for Cook Islanders is also addressed through this project through the vision of created a more resilient economy that gets back to work quicker. The indicator 15.1 Support a sustainable population requires a viable economy and as already indicated, past experience tells us that without economic certainty the population of the Cook Islands is quick to move to New Zealand and Australia. This project is specifically focused on reducing this risk so that the communities of the Cook Islands benefit from a recovering economy far quicker than is current feasible post storm events.

**Needs of recipients**

The Cook Islands are a small island developing state, micro-state of less than 18000 people. The economy is relatively robust on a per capita basis but has extreme vulnerabilities due to the narrow economic base and very concentrated geographic area of that base. The public sector has enjoyed significant investments in infrastructure including investments in ports, solar power, water infrastructure, waste management and facilities. The financing mechanisms have been predominantly bilateral aid with some bilateral lending from China and loans from ADB.

The Cook Islands public sector has and will also benefit from GCF and other climate financing such as the Adaptation Fund to improve infrastructure.

However the financing mechanisms available to the private sector are extremely limited and currently have no bearing on climate resilience. As already discussed, the cost of finance limits what businesses can invest in. Therefore there is

a clear barrier to building private sector resilience, and this project will be a major game changer if it is implemented as intended. By providing access to concessional finance (low interest close to zero percent) private sector businesses will invest in resilience thereby reducing the damage from climate driven storm events and enabling a swifter economic recovery post event.

Secondarily the project will address the current inadequacies in the building code and the commercial insurance landscape to ensure both are structured in way that allows for maximum coverage while limiting loss in such events.

### Country ownership

As this project does not sit within the mitigation space it is not able to be measured as a contributor the nationally determined contribution (NDC) of the Cook Islands which are focused around reducing carbon emissions through conversion from diesel power generation to renewable energy. Regarding adaptation the Cook Islands Country Statement on NDCs puts the following conditions;

*Note that Loss and Damage is not factored into the policy and planning processes outlined above. Nor are the full costs associated with building resilience to climate change, which the Cook Islands expects will be covered by the international community over time.*

This condition is assumed to be a stipulation for public sector adaptation and the private sector does not expect the international community to cover the costs of resilience. What this project is calling for is a concessional lending mechanism – quite different from the grant modalities used for the public sector. Therefore it can be seen as an enabling mechanism to allow the Cook Islands private sector to makes its own investments in resilience which will contribute significantly the Cook Islands nationally determined contributions once incorporated into the national plan.

This is a project developed in the Cook Islands for the Cook Islands, and the Cook Islands Chamber of Commerce is the focal point working with the NDA and national climate change office to coordinate and prepare this project. Estimated costs mean that currently accredited national entities will not have the correct accreditation to deliver this project therefore it is expected that during project proposal preparation stage suitable AE's will be identified and partnered with. This not-withstanding, the expected benefits of this project will be entirely within the Cook Islands economy and society, and will deliver to increase the Cook Islands economic resilience.

### Efficiency and effectiveness

The GCF indicators for private sector adaptation are not well defined particularly in respect to how a rate of return might be measured in such a project where resilience is the focus. This investment is actually looking to displace income generating investment in place of resilience, the return of which can only be estimated to be the net reduction in loss from a climatic storm event as a result of the works.

With regards to a project such as this where the mechanism is concessional lending to leverage investment, the key considerations for efficiency and effectiveness are suggested to be as follows;

Expected lifecycle of the facility

Total percent of investment expected to be returned to the fund (non-defaulters)

Coverage of the target market

Level of other investment leveraged

Considering these suggestions, it would be expected the facility would have a life cycle of 10 to 20 years without revolving. Total percentage of investment expected to be returned would be 95%+ (based on business success in the Cook Islands). Coverage of the target market is harder to estimate at this early stage and without the final cost of financing established, but we would expect that at least 50% of businesses would use the fund. Regarding the level of leveraged investment, this cannot be estimated at this stage but it will be case that when concessional lending is accessed to build resilience it makes sense to conduct any planned other works concurrently.

## B.4. Engagement among the NDA, AE, and/or other relevant stakeholders in the country (max ½ page)

This project has been developed in collaboration with the NDA of the Cook Islands. The project inception came from within the Cook Islands Chamber of Commerce, seen as a possible solution to protecting the Cook Islands against

economic and the associated social hardship that a severe storm would have. Events in Tonga and Fiji certainly informed the matter and contextualized it in a way that indicated that under our current situation, a direct hit of a cyclone above category 3 would significantly impact the economy of the Cook Islands.

It is recognized that the Cook Islands are very unique in the sense that the entire economy is supported by a single industry, being tourism. The tourism industry is highly vulnerable to damages and under the current situation damage would be significant and recovery would be slow. The flow on effect of this is that employment drops, tax revenue subsides – then people migrate and recovery is even more hampered.

The Chamber initially wanted to get an economic impact analysis done to support these suppositions. No agency was willing to support such work, however all agencies consulted with agreed the issue is real and significant. The NDA of the Cook Islands was read in at an early stage and attended at least one meeting on this matter alongside the Chamber with one of the Cook Islands significant development partners.

Subsequent to those early consultations the Chamber of Commerce has continued to work with the NDA in developing this project. A Chamber of Commerce representative attended the GCF High Level summit in Pohnpei in 2018. The Chamber of Commerce also took part in the GCF workshop in the Cook Islands in 2019. Both events galvanised this project concept and now it is moving forward in complete collaboration with and support from the Cook Islands NDA and with the knowledge of at least 2 Accredited Entities.

In order to progress this concept note to the proposal stage considerably more work needs to be undertaken to fully size the cost of the required facility. This work will be done in collaboration with the NDA and may make use of readiness facilities or other such funding as available. Given that significant parts of this work require coordination with public sectors actions, such as coastal protections, insurance mechanisms and building codes, these elements at least will be best addressed as partnership projects that include both the public and private sectors.

### C. Indicative Financing/Cost Information (max. 3 pages)

#### C.1. Financing by components (max ½ page)

Please provide an estimate of the total cost per component/output and disaggregate by source of financing.

Component/Output	Indicative cost (USD)	GCF financing		Co-financing		
		Amount (USD)	Financial Instrument	Amount (USD)	Financial Instrument	Name of Institutions
Preliminary costing study	75,000					
<i>It is improper to put estimate costings of the various outputs of this project when the preliminary phase is required to do that costing work. Due to the complex nature of the required costing that work is outside the scope of this note and any estimate would not be able to completed without a high degree of error.</i>						
<b>Indicative total cost (USD)</b>						

For private sector proposal, provide an overview (diagram) of the proposed financing structure.

#### C.2. Justification of GCF funding request (max. 1 page)

The Cook Islands has a highly vulnerable economy and requires investment in private sector infrastructure in order to increase structural and economic resilience in the face of stronger storm events due to climate change. The public sector has neither the capacity or appetite to create a fund with the required concessionally to be attractive to the private sector to build resilience instead of developing for short term economic returns.

The Cook Islands does not have a development bank that could look to create such a fund either. In fact the absence of a national development bank is a curiosity and indicates how removed the government is from delivering assistance to the private sector in any sort of concessional way. The only avenues for investment capital within the Cook Islands are the 3 commercial retail banks, which have interest rates several percent above the retail rates in New Zealand where our economy is closely aligned.

These elements create the situation in country where no local solution is forthcoming. The GCF is the only fund that currently has a mechanism that could overcome these barriers and create the necessary facility to solve the resilience issue of the Cook Islands private sector infrastructure and broader economy.

While it has not been explored, the only potential alternative funding mechanism of comparable concessionality would be a state underwritten private sector development loan from the Peoples Republic of China. Such a facility has been floated in the past, albeit of considerably less value than that required here, and the Cook Islands government has repeatedly stated they will not underwrite any Chinese loans to the Cook Islands private sector.

The level of concessionality is anticipated to be such that the final finance rate to businesses for resilience development will be less than 2%. The establishment of the delivery partner and AE has not yet been decided so the costs of administering the facility have not been explored fully. It would be logical to have the fund delivered through a banking institution. This could be an AE, or it could be a delivery partner of an AE. In any case the GCF would be required to dictate some key terms with regards to added costs of finance in order to ensure the concessionality remains. Without a highly concessional rate the coverage of the project would be reduced and therefore its penetration and benefits reduced as well.

This project does not propose to use grants for the major costs elements, rather it intends to align with the GCF intent of concessional lending for resilience. However there are some activities that will require grant funding in order to deliver. These are;

1. The preliminary sizing and costing project to identify the value of building resilience in order to put accurate costs estimates on this project
2. The work with the insurance industry, government and other innovative partners to develop an insurance landscape that caters to the real needs of the economy.
3. The contingency plan development to rebuild confidence in the destination immediately post storm events.

The full intent of building economic resilience through a resilient private sector can only be realised with the components intact. They are not the role of any business to implement, rather they require a specific piece of work to address each supported by its own funding. The logical funding mechanism for these is grant funding however there may be some blending possible with other donor and aid partners willing with work with the GCF to deliver this project. As proponents the Cook Islands Chamber of Commerce and the Cook Islands Government would like to see a multi-stakeholder commitment to this project.

### C.3. Sustainability and replicability of the project (exit strategy) (max. 1 page)

This project is designed to be a one-off springboard to raise standards and applications of these standards so that in the future, new infrastructure is designed and constructed to meet the resilient needs of a changing climatic environment. This project will produce a self-sustaining model through several pathways.

#### **Resilience of current structures**

The most significant project component by investment is tasked with building resilience of current structures and will be delimited and fixed to the planned outcome, with no need to revisit the issue in the future. Once current structures are bought up to the agreed standard through the proposed financing mechanisms their ongoing maintenance and management will be part of the business operating model for the owners of the infrastructure.

#### **Resilience of future private sector infrastructure**

The project component tasked with delivering improved building standards and increased compliance by commercial entities will ensure that as development occurs, new buildings and related private sector infrastructure will be resilient by their design and construction. This will complement the current improved buildings and maintain the new standard of construction in alignment with the improved standards.

New developments will happen under the usual commercial terms and are not expected to require any assistance for resilience compliance from project funds, however if the fund was able to revolve to a second and third phase it could be used to assist the private sector fund the additional costs of becoming climate resilient in the changing climatic landscape.



Any new built infrastructure will need to comply with the reviewed and agreed to building standards that align to the risk profile expected for the Cook Islands.

**Disaster Insurance for Private Sector**

Insurance mechanisms developed through this project will be designed to be self-sustaining. If that is not achieved then the planned outputs of those project components will not have been delivered correctly.

By having insurance products that are fit for purpose and designed with longevity in the changing climate scape private sector resilience is improved significantly, particularly in the areas where insurance products are currently unavailable or priced out of the market. It is expected that layering of facilities may be necessary to achieve what is envisaged here.

This project does not aim to produce any output that is not self sustaining in a commercial environment after the life of the project. The project is not in place to fund any hard public infrastructure, or private infrastructure that does not provide an economic return.

**Contingency planning for market recovery**

Once in place this plan can be revised periodically at little cost, funded by the state and / or development partners interested in the Cook Islands economic success. There would not be any need to re-create this work or sustain its establishment costs once the work is complete.

The life of a concessional financing mechanism would be envisaged to be 15 – 20 years. The fund would need to be open for a period of at least 5 years to ensure as many participants as possible can engage. The terms of the financing would dictate the life, but it would be expected that repayments are spread over a reasonably long time frame, up to 20 years. This will help to create more impact and participation.

**D. Supporting documents submitted (OPTIONAL)**


- Map indicating the location of the project/programme
- Diagram of the theory of change
- Economic and financial model with key assumptions and potential stressed scenarios
- Pre-feasibility study
- Evaluation report of previous project
- Results of environmental and social risk screening

**Self-awareness check boxes**

Are you aware that the full Funding Proposal and Annexes will require these documents? Yes  No

- Feasibility Study
- Environmental and social impact assessment or environmental and social management framework
- Stakeholder consultations at national and project level implementation including with indigenous people if relevant
- Gender assessment and action plan
- Operations and maintenance plan if relevant
- Loan or grant operation manual as appropriate
- Co-financing commitment letters

Are you aware that a funding proposal from an accredited entity without a signed AMA will be reviewed but not sent to the Board for consideration? Yes  No



Annex

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Two



## Terms of Reference (TOR)

### Consultant to Conduct a Mapping of the Private Sector Activities Related to Climate Change Adaptation and Mitigation in Cook Islands

#### BACKGROUND

Cook Islands are at great risk due to sea level rise, extreme rainfall events, storm surges, strong winds and extreme high air temperatures. However, Government and the people are focusing their efforts on strengthening their preparedness and risk reduction approaches to mitigate the impacts of climate change and disasters. This is elaborated through Cook Islands Climate Change Policy and Statement which among other key priorities also recognizes the need for enhanced mobilisation of climate finance and the increased engagement of all stakeholders inclusive of the private sector to support Cook Islands Government's endeavors.

The mapping exercise is in response to a request from Cook Islands as part of strengthening private sector engagement in Cook Island's endeavors to strengthen its preparedness and risk reduction approaches to climate change and disaster impacts. It is also aligned with the overall intent of the Framework for Resilient Development in the Pacific (FRDP) and Pacific Resilience Partnership which recognizes the key role and contribution of the private sector to supporting a country's development that is sustainable and resilient.

Despite recognition of the key role the private sector plays and the need to further enhance its engagement there remain challenges including lack of key information and data sources from the private sector to inform more effective policy and decision-making in regards private sector engagement. Additionally, the need for the private sector to be part of the entire process starting from country programming to project implementation as a means to enhance their engagement has been identified.

The proposed private sector mapping will help address some of these challenges by undertaking direct consultations with the private sector to determine their needs that relate to climate financing, mapping out the private sector's work that is relevant to climate change adaptation and mitigation, creating a database of the private sector against relevant accredited entities and developing concept notes for private sector project proposals or for possible public private partnership arrangement. This consultancy will be coordinated with the Climate Change Office, which is also the Green Climate Fund's National Designated Authority (NDA) and the Cook Islands Chamber of Commerce.



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## OVERALL TARGET

The private sector engagement in climate finance access and management processes is strengthened.

## OBJECTIVES OF THE ASSIGNMENT

The consultant will work with the guidance of the Climate Change Office under the Prime Minister's Office, Chamber of Commerce and the PIFS PACRES team with the objective of consolidating key information and data sources from the private sector to inform more effective policy and decision-making in regards private sector engagement including recommendations to strengthen private sector engagement throughout the entire process starting from country programming to project implementation.

## SCOPE OF WORK

This specifically involves:

1. Establishing a database of businesses in the private sector that are interested and already engaged in climate change mitigation and adaptation;
2. Establishing a database and basic access information on various funding sources that include including the Private Sector Facility of GCF and GCF Accredited Entities, the Adaptation Fund and multilateral and bilateral programs and considering their respective track record working with Micro, Small & Medium Enterprises (MSMEs) in the Cook Islands and climate change relevant fields;
3. Identifying private sector needs and potential towards their engagement in climate change and disaster risk management activities and accessing finance;
4. Developing concept notes for climate financing proposals and/or public-private partnership on climate change that are attractive to the private sector (including GCF, Adaptation Fund as well as multilateral and bilateral sources) that inform Government and the private sector; and
5. Recommending next steps to the Government of Cook Islands through the NDA and the Cook Islands Chamber of Commerce on ideas for concrete PPPs and ways to increase engagement between Government and the private sector based on the consultations.



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## KEY CAPABILITIES

### DESIRED SKILLS

- Knowledge of, and experience engaging with, public-private sector stakeholders in the Pacific region. Having worked in the Cook Islands will be an added advantage.
- Understanding of climate change impacts and adaptation and mitigation practices in Cook Islands and regionally.
- Knowledge of the main climate funding sources such as GCF, AF and other multilateral and bilateral sources including their relevant processes of financing project proposals.
- Strong analytical aptitude, communication and presentation skills.
- Demonstrated experience in writing policy briefs.
- Good networking skills to engage with both private sector and government partners.
- Understanding and knowledge of climate change finance and how it relates to the private sector.

### QUALIFICATIONS

- Full command of written and spoken English.
- Master's or bachelor's degree in related fields (climate change, business or finance, economics, etc.).
- A minimum of five years of experience in private sector development and finance.
- Familiarity with and/or experience of Pacific governments and regional organizations is an asset.

### TIMING & LOCATION

It is estimated that the consultancy will commence for a term of up to 30 working days and the activity will take place in Rarotonga, Cook Islands from 30 September 2019. On award of the contract, discussions may be held to review and mutually agree the schedule of activities and timing of deliverables to accommodate emerging priorities. The activities related to the tender process are provided below:

Activity	Start Date	Completion Date	Duration
Tender advertisement	09/09/2019	20/09/2019	10 w/days
Tender opening	20/09/2019	20/09/2019	1 working day



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Tender evaluation and approval of tender	23/09/2019	25/09/2019	3 w/days
Contract negotiation and signing of contract	27/09/2019	30/09/2019	3 w/days
Performance of service	30/09/2019	31/10/2019	Up to 30 working days

## EXPECTED ACTIVITIES, DELIVERABLES AND TIMING

Milestone	Activities	Deliverable	Date
1.	Conduct consultations with the private sector and key stakeholders to identify existing and potential activities related to climate change mitigation and adaptation.	<i>A database of all businesses carrying out any climate change mitigation and/or adaptation activity including future engagement in these activities.</i>	30 September - 04 October
2.	Undertake a desk study of GCF and AF Accredited Entities including multi-and bilateral programs engagement in climate change with the private sector in Cook Islands and other Pacific Island Countries to identify potential partners for the private sector.	<i>A database of GCF and AF Accredited Entities and programs with a track record working with Cook Islands and other PICs.</i>	7 - 11 October
3.	Identify case studies on successful existing and past public private partnerships of relevance in the Cook Islands climate change context.	<i>A list of PPP high impact case studies in climate change in Cook Islands (may include some from the region) including the contacts and names of public and private entities, the sector and relevant climate change field, duration,</i>	14 - 18 October

		<i>volume and key achievements</i>	
4.	Develop a database to inform the private sector and the Government of Cook Islands on potential areas of collaboration with Accredited Entities and programs in key sectors and making links between daily business activities and climate actions.	<i>A final design for a database on Cook Islands private sector entities and their potential engagement in climate change relevant fields and by industry sectors.</i>	21 - 25 October
5.	Develop a full concept for the private sector that contributes to climate change mitigation or adaptation based on the consultations with business community.	<i>A draft full concept for the private sector that captures the financing needs of the Cook Islands private sector.</i>	28 - 31 October
6.	Prepare and finalise a Private Sector Climate Finance policy brief for consideration by the NDA and the Chamber of Commerce including recommendations on next steps and a communication platform based on private sector needs.	<i>A policy brief on engaging the private sector in climate finance detailing:</i> <ul style="list-style-type: none"> <li>• <i>Description of consultation processes and participation;</i></li> <li>• <i>Consultation outcomes (including specific and tangible recommendations from private sector); and</i></li> </ul> <i>Priority next steps (including expected costs and responsibilities) for the Government of Cook Islands to support future private sector climate finance initiatives.</i>	28 - 31 October



## GENERAL TERMS AND CONDITIONS

Interested individual(s) are encouraged to provide written submissions including a copy of your curriculum vitae and a financial proposal in Fijian Dollars (FJD).

### *Bidder's Ability:*

By submitting a response to this “Request for Tender” (RFT), the bidder warrants that the bidder has the necessary skills, knowledge, experience and resources to comply with this RFT and capable of successfully completing the project.

In addition, the bidder warrants that the bidder is not subject to any legal process that may result in the winding up or deregistration of the bidder and that the bidder does not appear on the World Bank’s listing of ineligible firms.

### *Language:*

The bidder response must be in English.

### *Amendments:*

Should the bidder become aware of any discrepancy, error or omission in the document submitted, and the bidder wishes to lodge a correction or provide additional information, that material must be in writing and lodged prior to the evaluation of the RFT responses.

## EVALUATION CRITERIA

The following criteria will be used to evaluate the tender:

Criteria	Score %
Quality of proposal that relates to adequacy of methodology and workplan.	20
Demonstrated capability and experience of the candidate with private sector engagement in Cook Islands and the Pacific as a whole.	20
Good understanding and demonstrated experience of climate change impacts and practices in Cook Islands and the	25



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region including the various international climate finance sources and processes of financing project proposals.	
Qualifications and competency of candidate.	15
Good analytical skills and strong ability to develop a full concept proposal for GCF funding including a policy brief.	20
<b>Total % of evaluation</b>	<b>100%</b>

The final selection of the preferred service provider will be established by weighing technical quality against price on an 80/20 basis.

## REPORTING

The consultant will work with the guidance of the Climate Change Office, Ministry of Finance & Economic Management and the Chamber of Commerce of Cook Islands and the PIFS PACRES Project team in Suva, Fiji.

Cook Islands Director of Climate Change and the CEO of the Cook Islands Chamber of Commerce in consultation with the PIFS PACRES team will review and provide feedback on all deliverables provided by the consultant.



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Annex

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Three

Notes taken on the Cook Islands Private Sector Climate Change Issues Mapping Workshop held on Tuesday 1<sup>st</sup> and Wednesday 2<sup>nd</sup> October 2019 in the Conference Room of the Edgewater Resort & Spa, Rarotonga, Cook Island

**Attendees:** As per the attached Registers

A welcome to all in attendance was offered by Mr Steve Lyon, Facilitator for the Workshop, together with a background of the Green Climate Fund (GCF) & outlined the purpose of this Workshop:

- To discuss key areas of vulnerability & mechanisms to be developed
- In event of a disaster, there is no taxable income being generated
- Discussion on outputs to create resilience thus strengthen the Private Sector
- To be conducted hand in hand with Government
- Integrated Plan across both Private & Public Sectors
- Elements impeding each section
- Reduce vulnerabilities
- Private Funding will be accessed through the DCD office of CI Government

**Opening Prayer** by Mr Rangī Aitu

**Opening remarks** by Mr Wayne King, Director of Climate Change Cook Islands:

- Apologies from Deputy Prime Minister Hon Mark Brown
- Focus on partnerships – we cannot do this alone
- Important to listen to the audience, discuss actions in our own areas
- Workshop to observe what we think are the most important issues
- Where do you see yourself as part of the Private Sector
- Government cannot put this project together without the Private Sector
- Capacity restraints
- Looking forward to hearing from all involved

**Workshop goals and methods:** presented by Steve Lyon

- Previous meetings/submissions were made 9 months ago- these are not forgotten
- GCF – an international fund re-distributed to developing states, 50% Public + 50% Private Sector. Private Sector funding is then divided into 50% mitigation, 50% adaptation

**Country context:** presented by Steve Lyon

- GCF is the accredited entity to manage Grants & Outputs
- In the Cook Islands DCD and BCI are/will be our accredited entities
- Mitigation v Adaption:
  - Mitigation -
    - Reduction of carbon footprint – planting trees, wind / solar farms
    - Private Sector partnership with Banks or other Donors for concessional loans
    - Shift from fossil fuel use e.g. solar power

Adaptation –

After the event – changes made to physical/social environment e.g. coastal erosion, disease

- Currently GCF does not have the mechanism for the Private Sector Banks to understand & to look at reduced vulnerability for economic benefit
- Suggestions required to improve economic benefit
- Private Sector restraints & expectations:  
GCF does not supply funding direct – take advantage of projects offered e.g. DCD etc  
Private Sector does not receive Grants from GCF, can expect loans at concessional rates to fund improvements to buildings (not to build new buildings). Tourism properties with low lease remaining are not likely to be invested in. Can assist Agriculture to access land for planting

### **Where are we “at” in the Cook Islands:**

- Climate Change Office works with MFEM
- Important to understand acronyms etc & terminology
- Strengthen disaster risk & preparedness e.g. water security, agricultural production
- To apply for GCF funding we must have the right policies
- Focus on capacity across all stakeholders
- Form Contract Groups to progress to GCF Fund
- Simplified Approval Process (SAP) – focus on Health Sector / Health professionals e.g. Dengue
- Include Small Grants Programme for the Private Sector
- Countries that are accredited (MFEM in CI), separate proposal for enhanced direct access (Cook Islands is the only accredited Pacific country at this stage)
- Identify areas that we need to focus on e.g. Government, Island Councils, Communities and Private Sector
- Government deal with funding applications, BCI is the lending agency for revolving funds, concessional loans e.g. +/- 5% interest rate
- Donor Round Table held in March 2019 identified areas that CI need to focus on e.g. Renewable Energy (only Aitutaki & Rarotonga to be completed), Waste Management, Water Security, Sanitation, Coastal Protection
- Opportunity for Private Sector investment in solar & wind power
- Implement 5 large projects, 1 every 2/3 years

Limitations:

- Graduates – study assessment required for future curriculum in Colleges
- Find expertise – where? Understand terminology, know your custom, CI's skill base
- Interest in great ideas e.g. organic agriculture – not one business but a whole industry
- Non competitive workforce, under resourced by 500+. Need Cook Islanders to return to fill roles

- PPP's – haven't seen this happen yet e.g. TMV & Muri Project – Government chosen to set up own structure. Is Government ready for PPP's?

General discussion:

- Private Sector constraints – access to funding. Business cash flow for repayments. Incentives such as tax credits/concessions required
- 2020 Graduation
- Recycling organic waste such as waste oil, 3,000 litres stockpiled, train people on the process to use this for energy. Bio fuel option – discuss further
- Private Sector Growers – bankable ideas – will GCF assist with proposal writing, feasibility studies, Business Plans, Public consultation before preparing funding application. People not trained in preparing proposals & applications declined W King to recommend to GCF.
- If Growers complete a Concept Note, DCD will assist with completing funding applications – DCD able to apply for TA to write Project Proposal Funding (PPF)
- Suggestion to combine similar organisations to form a larger scale project – this will then be considered a priority by Government. (Currently agriculture is considered a low priority)
- Agricultural industry is now an emergency – high cost of importing food, less than 20% of food requirements are produced locally. Small scale growers are not sufficient. How do we change Government priorities – talk to Ministers & politicians to convince Government to formulate new priorities. Agreed to find a way to leap-frog agriculture as a key priority

**DCD Presentation** by Mani Mate:

Mani explained the workings of DCD -

- Currently 3 areas of funding received – GCF, ADB & Private Sector funding – able to speak on GCF only as there is not sufficient information available from the other organisations
- DCD coordinate all ODA into the Cook Islands
- 2016 – accredited to GCF as the Implementing Agency (NIE)
- 2018 – MFEM gained direct access to GCF
- GCF established in 2010

**PIFS Presentation** by Ledua Vakaloloma:

- Funding – pool resources & expertise
- PPP can help delivery of better services
- Time is money
- Government must provide a meaningful response in a timely & transparent manner
- Provided an update on PNG renewables. Vanuatu have received approval for readiness support for the Private Sector strengthened through the Chamber of Commerce

**Working Groups:** Three Working Groups were formed – Agriculture, Accommodators & Tourism, to identify, report back & discuss key risks to the Private Sector

**DAY TWO:**

Commenced with an Opening Prayer by Temu Okotai

**Recap of Day One:** by Facilitator Mr Steve Lyon

**Working Groups:** 2 groups formed to develop outlines for proposed projects

- General discussion on proposals presented

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