



GOVERNMENT OF THE COOK ISLANDS

*National Assessment Report
For
Barbados Programme of Action + 10*

November 2003

Our National Vision

“To achieve the highest quality of life, consistent with the aspirations of our people, and in harmony with our culture and environment”

FOREWORD

The focus of the National Assessment Report for the review of the Barbados Program of Action (BPOA) is reflected in the six national strategic outcomes outlined in Annual Budget Appropriations and Budget Policy Statements since the national 1995 economic reform. These strategic outcomes are economic sustainability, social cohesion, good governance, infrastructure support, outer islands development and environmental management. These are all essential elements and pivotal in the long term stability and sustainability of any civil society.

Fundamentally, the Cook Islands remains committed to achieving these national outcomes and maintain consistency and continuity by establishing a strong national framework for sustainable development. This includes the strengthening of stabilisation policies such as development of the next medium term (3-5 years) National Development Strategy guided by a 20 plus years vision.

The Cook Islands, despite its limited resources and capacity, is happy to report that it has achieved some of its Millennium Development Goals (MDG) objectives. However, findings of this assessment report will also show that there remain numerous areas of difficulties, complicating national efforts to uphold environmental integrity, improve the advancement of infrastructure development, sustain economic growth and social cohesion as well as promote trade and investment.

Consequently, joint efforts with our development partners in achieving the principles and intervention targets set by the Barbados Plan of Action, Millennium Development Goals and WSSD needed improvements.

By and large, we are fortunate in our pursuit to achieve the highest quality of life for all Cook Islanders, to have international assistance, guidance and advice, through the BPOA, WSSD, and MDG's amongst others, continually reminding us of our responsibility to nurture our resources, way of life and environment in order for our children, grandchildren and future generations to enjoy.

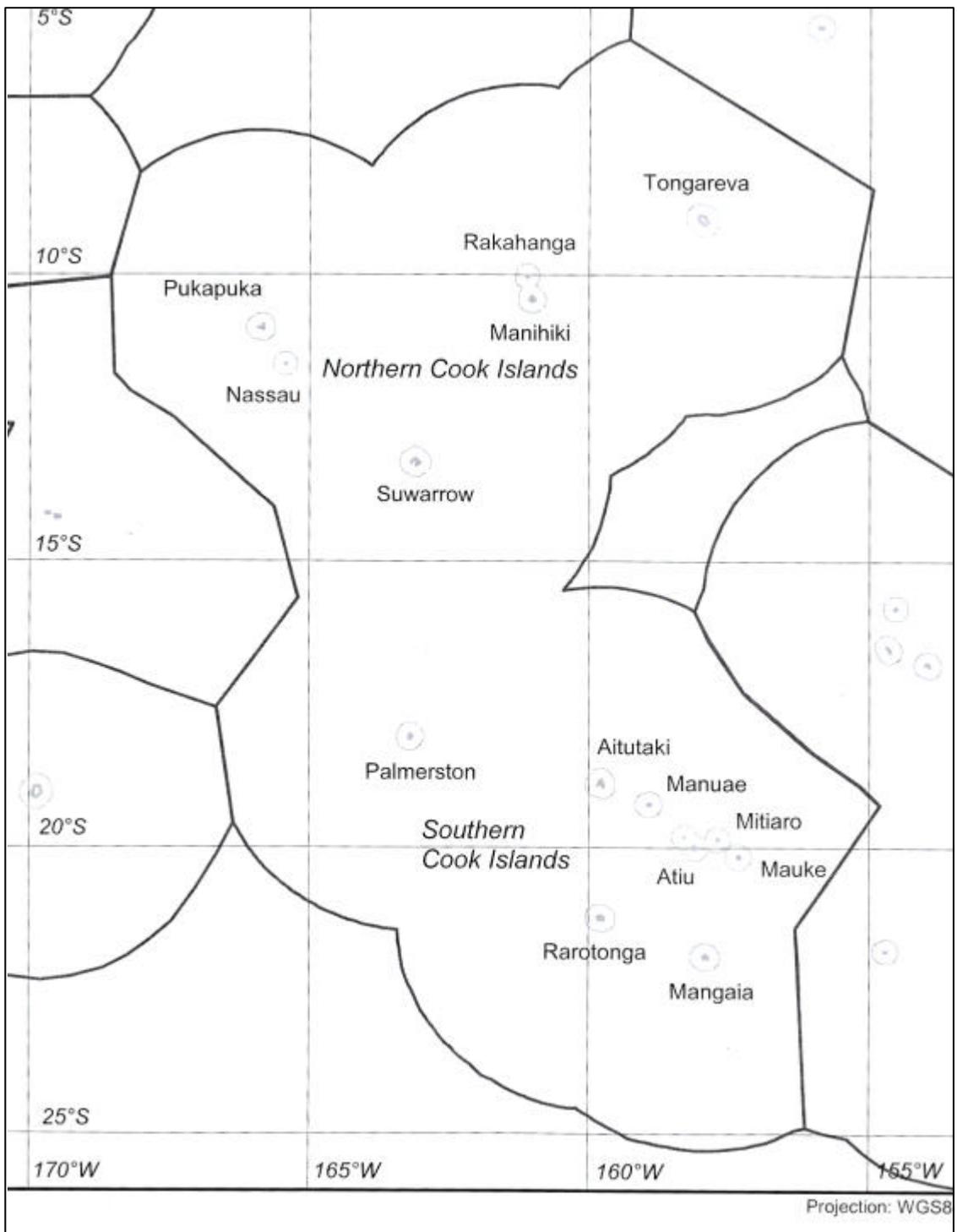
.....
HON. DR ROBERT WOONTON,
PRIME MINISTER AND MINISTER FOR ENVIRONMENT

TABLE OF CONTENTS

FOREWORD.....	2
Map of the Cook Islands	5
Executive Summary	7
I. INTRODUCTION	10
1.1 GEOGRAPHY.....	10
1.2 POPULATION	10
1.3 GOVERNMENT	10
1.4 ECONOMIC REFORM.....	11
1.5 ECONOMIC PERFORMANCE.....	12
II. NATIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT.....	13
2.1 NATIONAL WSSD COORDINATION COMMITTEE	13
2.2 GOOD GOVERNANCE.....	14
2.3 NON GOVERNMENT ORGANISATIONS (NGOs).....	15
2.4 SUSTAINABLE DEVELOPMENT POLICIES AND MECHANISMS.....	16
III. SECTORAL PROGRESS MADE AND PROBLEMS ENCOUNTERED.....	18
3.1 ENVIRONMENTAL SUSTAINABILITY	18
3.1.1 <i>Environment Management Institutions.....</i>	<i>18</i>
3.1.2 <i>Environment Non-Government Organisations.....</i>	<i>19</i>
3.1.3 <i>Climate Change and Sea Level Rise.....</i>	<i>19</i>
3.1.4 <i>Natural and Environmental Disasters</i>	<i>20</i>
3.1.5 <i>Managing Fragile Ecosystems: Combating Land Degradation.....</i>	<i>22</i>
3.1.6 <i>Conservation of Biological Diversity</i>	<i>22</i>
3.1.7 <i>Oceans</i>	<i>22</i>
3.1.8 <i>Multi-lateral Environment Agreements, Protocols and Treaties.....</i>	<i>23</i>
3.2 INFRASTRUCTURE ADVANCEMENT.....	25
3.2.1 <i>Energy.....</i>	<i>26</i>
3.2.2 <i>Water.....</i>	<i>27</i>
3.2.3 <i>Waste Management.....</i>	<i>28</i>
3.2.4 <i>Information Communication Technology (ICT).....</i>	<i>28</i>
3.2.5 <i>Transport.....</i>	<i>29</i>
3.3 SUSTAINABLE ECONOMIC SECTORS.....	30
3.3.1 <i>Financial Services Industry.....</i>	<i>30</i>
3.3.2 <i>Tourism.....</i>	<i>32</i>
3.3.3 <i>Marine Resources.....</i>	<i>33</i>
3.3.4 <i>Pearl Industry.....</i>	<i>34</i>
3.3.5 <i>Agriculture and Rural Development.....</i>	<i>35</i>
3.3.6 <i>Forest Development.....</i>	<i>37</i>
3.3.7 <i>Land.....</i>	<i>37</i>
IV. CROSS SECTORAL AREAS.....	39
4.1 FINANCING AND INVESTMENT FOR SUSTAINABLE DEVELOPMENT.....	39
4.2 ECONOMIC PLANNING AND POLICY COORDINATION	40
4.3 HUMAN RESOURCES DEVELOPMENT	42
4.4 NATIONAL SECURITY AND POLICING	43
V. TRADE AND INVESTMENT.....	45
5.1 TRADE AND INVESTMENT	45
5.2 PRIVATE SECTOR DEVELOPMENT	47
VI. MILLENNIUM DEVELOPMENT GOALS (MDGs).....	49
6.1 POVERTY	49
6.2 EDUCATION.....	50
6.3 GENDER EQUALITY AND DEVELOPMENT.....	51
6.4 GENERAL HEALTH, LIFESTYLE DISEASES, HIV/AIDS AND DENGUE FEVER ...	52

6.5 OUTER ISLANDS DEVELOPMENT	53
6.6 CULTURE	55
VII. EMERGING CONCERNS AND SPECIAL NEEDS	56
VIII. THE WAY FORWARD	57

Map of the Cook Islands



Terms and Abbreviations

ACC	Aid Coordinating Committee
ADB	Asian Development Bank
APEC	Asia Pacific Economic Commission
AusAID	Australia Aid
CHARMS	Comprehensive Hazard and Risk Management Strategy
CIIC	Cook Islands Investment Corporation
DIB	Development Investment Board
EIA	Environment Impact Assessment
EU	European Union
FATF	Financial Action Task Force
FEMM	Forum Economic Ministers Meeting
FSC	Financial Supervisory Commission
FTRA	Financial Transactions Reporting Act
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gases
MACM	Mutual Assistance in Criminal Matters Act
MARPOL	Marine Pollution
MDG	Millennium Development Goals
MFEM	Ministry of Finance and Economic Management
MMR	Ministry of Marine Resources
MoA	Ministry of Agriculture
MoE	Ministry of Education
MP	Member of Parliament
NATPLAN	National Marine Spill Prevention Plan
NEMS	National Environment Management Strategy
NZAid	New Zealand Aid
NGOs	Non Government Organisations
OECD	Organisation for Economic Cooperation and Development
OIDGF	Outer Islands Development Grant Fund
PACER	Pacific Agreement on Closer Economic Relations
PATA	Pacific Area Travel Association
PCB	Poly Chlorinated Biphenyls
PERCA	Public Expenditure Review Committee and Audit
PICTA	Pacific Islands Countries Trade Agreement
PIREP	Pacific Island Renewable Energy Project
POC	Proceeds of Crime Act
PSC	Public Service Commission
QR	Queens Representative
REAP	Rarotonga Environment Awareness Program
SBEC	Small Business Development Centre
SOE	State of the Environment
SPREP	South Pacific Regional Environment Program
SPTO	South Pacific Tourism Organisation
UNDP	United Nations Development Program
VAT	Value-Added Tax
WWF	World Wildlife Fund

Executive Summary

This report replicates as well addressed new issues not covered by the WSSD National Assessment Report (NAR). In light of this statement, we would like to acknowledge Mr. Edward Drollett and Mrs. Helen Wong, the National WSSD Working Committee, the WSSD National Forum representatives, our national leaders, government departments, private and business sectors, community groups, other non-government organisations and individuals consulted, the staff of the Office of the Prime Minister for their contributions and hard work in developing the WSSD NAR and this report.

This report is divided into six main parts regarding the national implementation of the Barbados Plan of Action which includes: National Overview; National Sustainable Development Framework; Sectoral Progress and Constraints Made; Cross Sectoral Progress and Constraints, Millennium Development Goals, Emerging Issues and the Way Forward.

National Overview

The Cook Islands was given an opportunity to develop a pragmatic approach to sustainable development during the economic reforms era of 1995/96. In general, the reform process was successful in introducing of a range of legislation to improve and enhance fiscal discipline, accountability and transparency as well as the transformation of the economy from government to private sector dominated which create jobs and wealth. Restoring macroeconomic stability through fiscal balances and manageable debt levels and increasing visitor arrivals from under fifty thousand in the mid nineties to almost seventy five thousand in calendar year 2002 allowed for rapid economic growth. In general the Cook Islands economy has grown an average 2.8% in the last 20 years. Government revenue has also increased through changes to the taxation system as well as the foreign investment regime.

However, not all outcomes were successful during the reform. One of the reform strategies was the public sector downsizing which resulted in several thousand Cook Islanders emigrating to New Zealand and Australia contributing to a decline of 22.3% in total resident population from 1996 to 2001. At the same time, significant constraints in human resources also emerged in labour and skills shortages in both the public and private sectors.

National Framework for Sustainability

The reform public sector downsizing and instability in government in the current election period weakened effective coordination and capacity for national and sectoral planning. Therefore current effort to develop a national strategic development plan as a medium term framework is set to guide future annual policies, objectives and priorities of government. Streamlining, simplifying and consolidation of reporting mechanisms to meet regional and international obligations need some considerations.

Strong leadership and political commitment including strong Parliamentary oversight to sustainable development is imperative to its success and as social partners; government, private sector and NGOs need to develop a stable and workable partnerships respecting the independent and supportive roles of each other.

Establishment of a Sustainable Development Unit within the Office of the Prime Minister is also necessary to ensure continuity and consistency in integration and linkage between

sustainable development strategies and all levels of policy development whether that is at the village or national level.

Connectivity between central government agencies is essential to allow characterisation, aggregations, and universal accessibility of appropriated timely information to all users. Capacity building in the application and utilisation of expert systems and technical tools to support decision making and planning exercises remains a priority for the Cook Islands.

Sectoral Progress and Constraints Made

Environmental sustainability

Several programs have been achieved including the implementation of the National Environment Management Strategies Report (NEMS) since Rio. The proposed new Cook Islands Environment Bill to replace the Rarotonga Environment Act is a major step towards strengthening and improving national environment management capacity, monitoring and implementation and meeting our regional and international obligations. In general, capacity building remains a national priority in areas of climate change and adaptation, biodiversity and disaster mitigation and management.

Infrastructural advancement

Infrastructure development is vital to the advancement of economic development and social progress. Adequate and affordable infrastructure services in the form of electricity, roads and safe water, transport, communications and waste management are required to support and facilitate economic and social development. All of the islands of the Cook Islands have electricity, water and telephone services. Most of the islands roads are either sealed or constructed of compacted crushed coral or sand. However, signs of the times have also brought forward issues related to waste managements, increasing backlogs in maintenance, peaking capacity levels, increasing growth in demands and the need for better planning and coordination between utilities and infrastructures providers, planners and managers.

Economic growth

It is hoped that the Cook Islands will be removed from the OECD and FATF list of non-cooperative tax haven jurisdictions in the near future with the recent introduction of new legislations and strengthening of the Offshore Financial Services Commission.

The potential adverse impact of current global events on international tourism calls for a tactical strategy to strengthen marketing programs, product development and promoting eco tourism and capacity building in the Outer islands to maximise economic gains from the industry.

Within the primary industries, government must improve the policy and legal capacity of Ministry of Marine Resources to ensure proactive participation by government in local and regional fisheries initiatives and complete a Marine Resources Master Plan as a matter of urgency. Care is required in pelagic, reef and lagoon management to ensure that their bio diversity and resources is preserved and sustained so they remain attractive for subsistence fishing, sports and commercial activities. Ministry of Agriculture should focus on policy development, regulation, monitoring, support to growers to transform agriculture from subsistence to commercial production.

Cross Sectoral Progress and Constraints

Financing, Capacity Building and Coordination for Sustainable Development

Government needs to continually maintain prudent financial management policies in order to sustain national development programs and improve levels of donor funding assistance

and projects. Overseas development assistance coordination needs to be improved. The capacity of the Aid Management Division needs to be strengthened to improve the management, coordination and delivery of donor aid and projects. Local capacity building needs to be developed to assist in understanding processes to access of international funds and consultancy work.

Trade and Investments

The challenge to the national trade and investment program is the need to establish the program under a single entity with a clear mandate for policy administration, and implementation. Capacity building is a high priority especially training for trade negotiations, management and technical expertise on fiscal issues to maximise benefits for the Cook Islands from the economic partnership agreements, foreign and local market promotions, improving compliance with overseas trade conditions, improving local infrastructure support and facilities involved in foreign trade and to develop niche products and markets. Government need to be proactive in providing infrastructural support, capacity building and technical assistance to various export sectors.

Millennium Development Goals

Cook Islands need to define poverty as it applies to the Cook Islands with clear linkages of poverty alleviation programs/activities to budgetary outputs and outcomes developed with strategies for alleviation and equitable distribution of benefits to vulnerable groups especially in the Outer Islands.

The ultimate challenge for the Cook Islands education system, overall, is educating children to gain skills for sustainable living rather than to gain qualifications strictly for economic benefit.

The Ministry of Health focus on primary/preventative health care service and strengthening of Public Health education programs particularly in prevention and reduction of life style diseases, HIV/AIDS and other vector borne diseases programs are part of the response to public demands.

Future Trends and the Way Forward

There are several issues which will shape the future direction of this country.

The vulnerability of the national economy due to infrastructural weaknesses is a major concern. Further tourism development or increases in population demands for infrastructural services will not be sustained unless current infrastructure is upgraded and the costs for further increasing capacity levels are met by the consumers.

The vulnerability of these small islands to impacts especially from tourism development, community wastes, transshipment of illicit drugs, under educated and unhealthy population, poor planning and coordination between sectors needs to be continually monitored and managed.

The completion of the National Strategic Development Plan and long term vision will go a long way in contributing to the medium term stability of the Cook Islands economy growth, social cohesion and environmental integrity.

I. INTRODUCTION

1.1 Geography

The Cook Islands is made up of 15 islands spread out over an exclusive economic zone of approximately two million square kilometres (750,000 square miles) in the Southern Pacific Ocean. Two of these islands are uninhabited. Total land area is less than 240 square kilometres with Rarotonga the centre of Government and commerce representing just over 28 percent of the total.

Geographically and to a certain extent culturally the nation is divided into two groups. The Southern group islands are Aitutaki, Atiu, Mangaia, Mauke, Mitiaro, Rarotonga, Manuae an uninhabited atoll and Takutea an uninhabited sand cay. The Northern Group islands are Manihiki, Nassau, Palmerston, Penrhyn, Pukapuka, Suwarrow and Nassau, which is administered in conjunction with Pukapuka. All are atolls and remains relatively isolated and less developed.

The Cook Islands enjoy a tropical climate with two seasons, hot wet during the months of November to March and cool dry from April to November. The hot/wet season coincides with the cyclone season for the Pacific Region.

The people of the Cook Islands are Maori of Polynesian stock. The Cook Islands language is Maori but all Cook Islanders speak English which is a national language as well.

1.2 Population

The 2001 census show the population of the Cook Islands at 18,027, with residents making up 14,600 of that total. Since 1965 the Cook Islands population has been in decline. Issues relating to the continuing outward migration of Cook Islanders is a major priority for Government.

The 2001 Census report show all islands except Rarotonga suffered a decline of population with Atiu, Mangaia, Nassau, Rakahanga and Penrhyn all experiencing declines of over 30% in their population when compared to census reports in 1996. The outer islands collectively account for 37% of resident population with the balance living on Rarotonga. Aitutaki is the most populous outer island in the southern group reflecting the impact of the development of the tourism industry on that island and Pukapuka remains the most populous island in the northern group. The census report also shows the recovery in the population of Manihiki following a forced evacuation in November 1997 as a result of the devastating effects of Cyclone Martin. Manihiki is the centre of the Cook Islands black pearl industry.

1.3 Government

The Cook Islands has been a self-governing nation in free association with New Zealand since 1965. As a result of this special relationship Cook Islanders are citizens of New Zealand. This special relationship was strengthened by the 2001 Joint Centenary Declaration of Principles of the Relationship between the Cook Islands and New Zealand allowing the country to conduct its foreign affairs and interact with the international community as a sovereign and independent state. This agreement allows the Government of the Cook Islands capacity to enter into treaties and other international agreements in its own right with governments and regional and international organisations.

The Cook Islands Head of State is the Queen of England, represented in the Cook Islands by an appointed Queen's Representative (QR).

The Cook Islands Parliament has 25 elected Members (MP's). Rarotonga with 59 percent of the population has 10 MP's (40 percent). There is one MP for the Cook Islands overseas constituency. The other islands elect the remaining 14 MP's. The least populated island of Nassau is represented with Pukapuka and Palmerston is included in Rarotonga's Avatiu/Ruatonga constituency.

General elections are held every five years and all Cook Islanders age 18 and over are eligible to vote. The Cook Islands has undergone political instability since the 1999 elections that gave no party a clear mandate to govern. The result is that the Cook Islands have had five coalition governments in four years. The current government is the Democratic Party. The Cook Islands Party is in opposition.

In addition to the central government, the outer islands operate local government under statutory powers devolved by Parliament to local councils. Each island and each of the three districts of Rarotonga elects a local council and a Mayor. An Island Secretary manages operations of the local government in the Outer Islands.

Political reform was part of the economic reform process and while a study of the political system was conducted in 1998 the recommendations of that report have hardly been implemented.

1.4 Economic Reform

The economic reform, of 1995/96, has allowed the Cook Islands an opportunity to develop a pragmatic approach to sustainable development. The economy is among the best performing countries in the Pacific region with the economy growing by 2.8% annually in real terms for the period 1982-2002. Such performance is complimentary given a declining population and the recent economic restructuring.

The economic reform was brought about largely by economic mismanagement, including expansionary fiscal policies and public investments in highly speculative ventures in the early nineties. In particular, the defaulting of a significant government held guarantee resulted in an unsustainable increase in the country's debt portfolio and was the single most important factor to trigger the economic restructuring. The economy faced a severe financial and economic crisis. The cyclical downturn in the tourism sector contributed further to the problem.

The economic restructuring caused several thousand Cook Islanders to emigrate to New Zealand and Australia resulting in the resident population of the Cook Islands declining from 18,800 in 1996 to 14,600 in 2001.

The reform process involved the introduction of a range of legislations to improve and enhance fiscal discipline, accountability and transparency as well as the transformation of the economy from government to private sector dominance to create jobs and wealth. Enhancement in government revenue was also sought through changes to the taxation laws as well as the foreign investment legislation.

Critical to the success of the reform process was the constraining of fiscal expenditure, mainly through public sector downsizing. The downsizing of government caused major economic and social upheavals in the outer islands with the loss of jobs in the public sector. Unlike Rarotonga, those who lost their jobs in the outer islands could not be

absorbed by the private sector and opportunities for them to establish private income generating ventures were limited.

While the economic reform was successful in achieving its objectives of restoring macroeconomic stability through fiscal balances and manageable debt levels, it seriously hindered the implementation of the National Environment Management Strategies Report (NEMS). The report is an output of the Rio+10 environmental initiatives. Following the economic success of the reform, the Cook Islands is well placed to develop programs to address sustainable development – economic growth, social cohesion and environmental sustainability which includes Millennium Development Goals issues.

1.5 Economic Performance

Gross Domestic Product (GDP), as measured by the value added approach, has been among the strongest in the Forum Islands states with real growth averaging 2.8% from 1982-2002. Expansion in the last five years has set record growth rates, with nominal GDP growth reaching 10.25% in 2000 and an average of 7.3% in the four years to 2002. The period immediately after the economic reform saw rapid expansion in economic activity, particularly tourist related. Visitor arrivals have increased from under fifty thousand in the mid nineties to almost seventy five thousand in 2002. As expected, the largest industry in the Cook Islands is tourism. The offshore financial centre and the black pearl industry follow this. Tourism is largely based in Rarotonga with a growing market in Aitutaki, and small operations in the neighbouring southern group islands.

Since the reform, market forces have generally set prices after years of comprehensive price control regulations. Consumer price indexes have generally moved in line with New Zealand price movements at 2.8% for the Cook Islands since 1988 and 2.7% for New Zealand. This is unsurprising given the openness of the Cook Islands economy, with imports averaging over 60% of GDP, dominance of New Zealand as the principal source of imports, the parity of the two currencies until 1995 and the use of the same currency since 1995.

The country's external economic performance shows a significant trade imbalance. Given the country's isolation and limited resources, this is unsurprising. However the generation of tourism receipts is substantial in offsetting the monetary outflows from imports. Exports are currently dominated by pearls, long-line, lagoon and aquarium fisheries, fresh fruits and vegetables, and clothing. Further growth in existing trade areas are expected from improvement in production levels and pending improvement in marketing strategies especially for pearls.

Overall, the national economic growth performance has been consistent over the last twenty years at an average economic growth of 2.8%.

II. NATIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT

A precondition to sustainable development is a framework for effective policy making, monitoring, good governance, political stability and strong leadership, viable private sector, and an active NGO and local community's participation to policy development.

In this regard it is important that policy makers, planners, senior government bureaucrats, political parties and community leaders are aware of the needs and aspirations of the people of their country. Government also need to be aware of the country's population structure, population processes and socio-economic characteristics in order to plan for an adequate standard of living, and for a proper provision and distribution of goods and services.

Given the amount of commitment required from all sectors of our society including NGO's, it is appropriate that government take existing frameworks and strengthen these as part and parcel of the national sustainable development framework. This national framework must also include the establishment of a National Sustainable Development Unit within the Office of the Prime Minister to ensure that there is continuation and consistency in implementing the WSSD and BPOA programs through nationwide policies and regulations. The national framework must also include the strengthening of NGO's structures and capacities to fulfil their responsibilities and expectations. The incorporation of WSSD and BPOA programs in the next medium term 5-years National Development Strategy and establishing a national process for establishing 20 plus years planning frameworks is currently being implemented.

2.1 National WSSD Coordination Committee

In 2002, a WSSD Steering Committee was established and a Sub-Working Committee formed to complete the WSSD National Assessment Report (NAR). Only the Sub-Working Committee has been active to date in drafting and updating the NAR for the WSSD and BPOA. Government has been advised to establish the National Sustainable Development Unit (NSDU) within the Office of the Prime Minister. This was to ensure commitment from our political masters while the same utilising the resources available within the National Policy Coordination Unit in the same office. Unfortunately, funding was not appropriated in the 2003/04 budget. Meanwhile development of Type 2 Initiative projects must be continued by the Sub-Working Committee and the National Policy Coordination Unit of the Office of the Prime Minister.

One of the positive impacts of keeping this unit within the Office of the Prime Minister is that sustainable development principles and issues have a high probability of being incorporated into national programs due to the influence of the office in national policy and planning developments. Currently, work in progress for developing the National Development Strategy will include the incorporation of WSSD, BPOA, Climate Change and Adaptation and MDG's principles into the plan.

Difficulties experienced in producing both the Cook Islands WSSD NAR and BPOA NAR in two different formats underscore the need to consolidate, streamline and simplify reporting formats to meet regional and international obligations. These exercises are time consuming and required commitment of sparse national resources. Given the Cook Islands smallness and both reports reflecting the same issues, the precious time spent on a second report will be most usefully directed towards developing national Pacific Type 2 initiative projects.

Challenges

The establishment of a National Sustainable Development Unit with own resources and mandate are essential to the long term success of assimilation of WSSD principles into national programs. Capacity building in preparations of project documents and coordination with donors is needed for various government departments and NGO's. High priority is given to incorporation of WSSD principles into the next 5 years National Development Strategy. Streamlining, simplifying and consolidation of reporting mechanisms to meet regional and international obligations need some considerations.

2.2 Good Governance

A pre-condition to sustainable development is strong governance institutions particularly in the public sector. Governance requires transparency of processes and accountability of decision-making.

The introduction of three key Acts of Parliament with the restructuring of the public sector institutions was seen as strengthening the governance institutions. These were the Ministry of Finance and Economic Management Act requiring fiscal discipline and increased accountability on the Heads of Ministries; the Public Service Commission Act requiring performance assessments between Heads of Ministries and the Public Service Commissioner; and the PERCA Act establishing an independent public expenditure review committee (PERCA) to assist with the Audit Office. The judiciary system also plays an important role in the effectiveness of the governance institutions.

There have been weaknesses in meeting the financial reporting requirements in the public sector since the introduction of the MFEM Act. The Ministry of Finance and Economic Management has responded to this issue over the last few years by providing increased assistance to ministries through training and the production of an Accounting Procedures and Policies Manual in December 2002. The Budget Committee (2003/04) in its ministry consultations identified as a key concern that several decisions made by Heads of Ministries were as a result of undue political pressure. There appeared to be a lack of appreciation of the accountability of ministry budgets belonging to the Heads of Ministry alone.

The Public Service Commission (PSC) is responsible for the welfare of the public servants, the administration of the code of conduct for the public service and senior executives and the management and evaluation of the performance of the Heads of Ministries. The Code of Conduct remains to be completed and enforced and until such a time, no such code applies. The PSC is also responsible for the development, improvement and institutional strengthening of government ministries in terms of business and management plans. Assistance is currently being given to PSC and MFEM from the Asian Development Bank to strengthen good corporate governance in the ministries involving the full planning, monitoring and reporting cycle. The Asian Development Bank is also providing assistance in conducting a good governance workshop in 2003 for government ministers, senior bureaucrats, island governments, government watchdogs and NGO's.

The Public Expenditure Review Committee and Audit (PERCA) is the watchdog on the use of public monies by executive government, government departments, and entities handling public monies. PERCA operates as an independent agency within government and relies on the cooperation and support of government agencies and departments to be successful. Current obstacles to the efficient operations of PERCA include the need to strengthen its Act, the lack of public consultation on government activities, the perceived culture of secrecy within the Public Administration, lack of resources, availability of

appropriate experience, skills, management and professional expertise in the public sector.

The Cook Islands judiciary system comprises of the Parliament of the Cook Islands, the Office of the Crown Law, Ministry of Justice and Cook Islands Police. Collectively they provide the foundation and uphold the principles of democracy and provide checks and balances fundamental to the cause of justice. The challenge for these key entities is the requirement for a proactive approach to the execution of their roles with adequate resources.

Challenge

Demonstration of good governance has been weak over the past few years due mainly to the lack of resources, shortage of qualified and skilled staff. Parliamentary oversight is also weak and need to be strengthened. Maintaining good governance is a serious challenge given the commitment made by successive governments to good governance principles and the regional commitment made to the FEMM Eight Principles of Accountability since the 1997 Forum Economic Ministers Meeting. Continuing technical assistance is required by the PERCA to sustain its monitoring and management activities.

2.3 Non Government Organisations (NGOs)

The Cook Islands has a wide range of NGOs involved in and contributing to a broad range of activities covering the entire community. It has a strong Chamber of Commerce representing the interests of businesses on the islands of Rarotonga and Aitutaki and the wider business community in the Cook Islands.

Government commitment to strengthening and building on the partnership with the private sector and the community is demonstrated in its recognition of the Chamber of Commerce and the Cook Islands Association of Non-Government Organisations (CIANGO) as “strategic partners” in creating jobs, income, wealth and security of livelihood. This is further supported by government withdrawal from activities in competition with the private sector and budgetary support of NGOs initiatives in social and community activities.

NGOs, in particular the Chamber of Commerce has contributed significantly to the development of national economic and social development initiatives particularly in the development and the formulation of the economic reform package in 1995/96 and the three consultative group meetings in 1996 and 2001.

While relations between NGOs and government are usually cordial, the recent perceived threat of a reversal of policies to pre-reform years has created strains to that relationship. This has led to a renewed and energetic interest in policy formulation by the Chamber of Commerce and the development of a new pressure group such as Groups for Political Change focused on political issues and reform. NGOs participation and contribution to policy formulation and informed critique of government actions on a regular basis is hampered by shortcomings in their management structure, limited capacity in technical analysis such as financial reports assessments, and the absence of a formal relationship between them and government. There is also a need for NGOs to work together as a unified group with common goals and aspirations.

The importance of alleviating perceived strains in relations between NGOs and government is important as the small population base of the Cook Islands does not adhere well with a confrontation approach and is counter productive to the advancement of the economy and the basic essence of Cook Islands society.

Challenges

The challenge to strengthening relations between NGO's and government lie in the creation of institutions or official processes by which public/private sector dialogue is formalised with mechanisms positioned to help the development of 'partnerships between government and the public sector'.

That mechanism should include long-term perspective and broad-based participation and training by NGO's in policy formulation, decision-making, basic technical matters and implementation at all levels. As social partners the challenge for both will be the development of stable partnerships respecting the independent, important roles of each other.

2.4 Sustainable Development Policies and Mechanisms

Several national legislations have been put in place to provide frameworks to support good governance efforts in the public sector. However, as illustrated in other parts of this report, important sectors still does not have legislations, let alone policies and strategic plans in place to give them a mandate and framework to implement sustainable development strategies. Also, this does not imply that there are no administrative policies and strategies to carry out important services demanded by the general public.

The development of the 2nd National Development Strategy (2005-2010) since the 1996 economic reform is a welcomed process after four years of instability in government. This is a significant step in sustainable development by making sure there is consistency and purpose in the direction and actions taken by government in using national resources to develop the nation. Participation by all major sectors of our community including civil society and private sector in this exercise is crucial to realize comprehensive support for the plan.

With regards to planning mechanisms, biogeophysical and socioeconomic data collation and management is a major concern nationally due to selective and fragmented efforts involved in characterising, aggregation and making these data universally accessible to users including planners. The limited computerisation and networking of agencies such as Customs Department, Statistics Office, Immigration, to meteorological service, water, survey, as well as agriculture, fisheries, health, education, trade and infrastructure services is a weakness in the government administration.

There is some future concern about our long term capacity in utilisation of expert systems and technical tools such as Geographical Information System, water quality testings, engineering assessments, lagoon monitoring systems for planning purposes. Government should aim to continue rebuilding basic foundations in core government departments, business and industry sector leaders through training in the utilisation and application of expert systems and technical tools to support decision makings and planning activities.

Challenges

Connectivity especially between major government departments' computer networks is necessary especially if consistency in information generation, universal accessibility and appropriate use of that information will further benefit the country. Planners must readily have access to appropriate timely information with the support of the necessary tools so

that decision makers can be well informed about the broader ramifications of the development options available.

Capacity building in the application and utilisation of expert systems and technical tools to support decision making and planning exercises remains a priority for the Cook Islands.

III. SECTORAL PROGRESS MADE AND PROBLEMS ENCOUNTERED

The linkage between economic developments, social development without compromise to the environment defines sustainable development. Absence or omission of one of these elements can offset the balance that mutually reinforces each other. The corresponding chapters therefore tried to highlight these linkages through the sectoral and cross sectoral progresses made and problems identified in maintaining our environmental integrity, advancement in infrastructure, sustainable economic growth, and trade and investment activities. An additional chapter will discuss the MDGs under the Cook Islands context defined by social cohesiveness programmes.

3.1 Environmental Sustainability

This chapter highlights national achievements and constraints experienced in maintaining our environmental integrity since Rio 1992.

Cook Islands has achieved several accomplishments and among these the establishment of the Environment Service as the body charged with the prime responsibility for environmental administration, the development of the NEMS which provided a framework for sustainable development, the adoption of Environment Impact Assessment (EIA) as a routine administrative procedure for the assessment of the impact of a developmental proposal on the social and natural environment.

The establishment of an Environment Protection Fund as part of the International Departure Tax regime was also mandated and has become a funding mechanism for environment related activities such as the domestic rubbish collection for Rarotonga, the management of the dump site and provides support funds for environment activities on each of the islands. The Natural Heritage Trust to collect and manage information on the Cook Islands biodiversity has also been successfully established.

The draft Environment Bill in 2000 for the whole of the Cook Islands is a major step towards achieving sustainable development. This legislation will replace the existing Rarotonga Environment Act, which is limited to that island only and without powers to implement actions and set in motion environment regulations that will apply to all islands in the Cook Islands.

3.1.1 Environment Management Institutions

The Environment Council (EC) and the Environment Service (ES) are responsible for the conservation and management of the environment of the island of Rarotonga under the Rarotonga Environment Act 1995.

The EC is made up of a broad range of people from across the community who has an interest in the environment. Representation has included members from the general public such as traditional leaders, legal representatives, women's groups, active community members in the development of natural resources and relevant technical people.

The EC is responsible for the development of policies on environmental issues. The ES is responsible for the administration and implementation of environmental policies including the implementation of a number of international and regional environmental initiatives and programs.

The Rarotonga Environment Act 1995 applies to Rarotonga only and does not include the Outer Islands demonstrating the weakness of the current legislation. Currently the ES has

drafted an environment bill that will cover the whole of the Cook Islands. This is currently before a Parliament Select Committee. The new Cook Islands Environment Bill will cover the whole of the Cook Islands and empower each island to develop its own regulations or by-laws to manage its own resources. The act recognises the uniqueness of each islands traditions and traditional resources management practices.

The new Cook Islands Environment Bill focus attention on the:

- Recognition of the most vulnerable areas to development such as the foreshore area, the wetlands and the sloping lands;
- Establishment of the environment protection fund and its use;
- National Environment Forum with the purpose of determining policy direction and programs, reviewing compliance and obligations to the Act and international treaties and protocols; and
- Registration of organisations that have an interest in environment management.

3.1.2 Environment Non-Government Organisations

The establishment of the first national environmental non-government group, Taporoporoanga Ipukarea Society (TIS) was caused by the reduction in outputs of the Environment Service as a result of the reform process. TIS was set up to support the Environment Service and to be a 'watchdog' of government activities. Other environmental groups include WWF-Cook Islands and Rarotonga Environment Awareness Program (REAP) and the Takitumu Conservation Area under the management of the landowners. These groups are active in lobbying for communities, government and international support on specific public issues with the environment such as the declaration of the island of Suwarrow as a national park, Kakerori (Rarotonga Flycatcher) Protection Project and to contribute to policy development and strategic plans.

3.1.3 Climate Change and Sea Level Rise

The Cook Islands signed the United Nations Framework Convention on Climate Change (UNFCCC) in June 1992 at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, and ratified the Kyoto Protocol in 2001.

The Cook Islands continues to implement simultaneously several regional and sub-regional projects which addresses climate changes adaptation initiatives, capacity building, impact assessments, hazards and risks management as well as introducing mitigations measures. These are as follows:

- *Pacific Islands Climate Change Assistance Program (PICCAP) Enabling Activity, 1997-2001*

Implemented by SPREP and funded by the Global Environment Facility (GEF), PICCAP marked the start of climate change activities in the Cook Islands. PICCAP initiated the creation of a multi-disciplinary group of sectoral decisions makers called the National Climate Change Country Team, and built capacity for the drafting of the Cook Islands Initial National Communication presented to the Conference of the Parties (COP 5) in October 1999. Activities under the project included: a national greenhouse gas inventory; a national vulnerability assessment together with island-specific vulnerability assessments for Mangaia, Tongareva, and Aitutaki; preparation of a draft National Climate Change Adaptation Policy (National Implementation Strategy- NIS).

- *Integrated Approaches for Capacity Building to Enable the Development of Adaptation Measures in Pacific Island Countries (CBDAMPIC):*

This Canadian International Development Agency (CIDA) funded climate change adaptation project aims to improve Cook Islanders ability to cope with climate-related risks at the national and community level. Outcomes will be increased awareness of climate change and sea level rise impacts, adaptation options that can be mainstreamed at the national level, and ways that communities can work together to lessen potential impacts. Locally based resource people and community groups have taken the lead, with the Climate Change unit of the Environment Service facilitating a pilot component focusing on drinking water resources in Aitutaki.

- *Assessments of Impacts and Adaptations to Climate Change (AIACC)*

The aim of AIACC is to develop a 'next generation' approach of integrated assessment methods and models, including the incorporation of 'human dimensions' of vulnerability and adaptation options and economic evaluation procedures. Cook Island nationals will be trained in the use of these new integrated assessment model scenarios of coastal inundation on Aitutaki. Funding is through the Global Environment Facility (GEF), through the System for Analysis, Research and Training (START) programme, the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Environments Programme (UNEP).

- *Climate change Adaptation for the Pacific*

ADB Technical Assistance is being applied to three climate 'proofing' case studies in Infrastructure, Regulations, and Policies, for the demonstrably vulnerable Avatiu area of Rarotonga. The overall goal is to facilitate an integrated adaptation process for society to adjust to increased risks under climate change of climate variability and extremes.

- *Pacific Islands Renewable Energy Project (PIREP);*

Mitigation refers to addressing climate change at the source of the problem, or reducing GHG's. The Environment Service Climate Change Office will be liaising with the Energy department for the national implementation of the SPREP executed, GEF funded PIREP to reduce the amount of GHG emissions in the Pacific by cutting use of fossil fuels for energy.

PIREP will not install any hardware, only carry out the groundwork for such installations, and it will prepare a proposal for a full size GEF project on Renewable Energy in the region. It is hoped the project will result in greater energy efficiency and replacement of diesel or gas carbon fuels with cleaner energies such as wind, solar, hydro, bio-fuel and hybridisation. As a barrier removal project, first steps will be to carry out the official formation of the PIREP country team to identify appropriate measures to facilitate the widespread development and use of renewable energy for sustainable development, ensuring multiple sectors are encompassed in the national management and coordination of PIREP.

3.1.4 Natural and Environmental Disasters

3.1.4.1 Cook Islands Vulnerability

Recent years have seen an increase in both intensity and frequency of extreme climate events. Cyclone Sally extensively damaged Rarotonga in January 1987. In November 1997 Cyclone Martin destroyed about 90 percent of the houses and killed 19 people on Manihiki atoll. Since 1998 the Cook Islands has experienced more intense storms, flooding, and wave surge damaging coastal infrastructure. During El Niño the Southern Cook Islands have experienced severe drought conditions and many households have been without water for periods of several weeks to some months. Agriculture has also

been severely affected. During the contrasting La Niña phase, flash flooding is a frequent problem for the volcanic and makatea southern group islands, while the northern group islands suffer drought.

In addition, human activities have contributed to pressures on the environment that could worsen the effects of climate change and sea level rise. Those pressures that must be considered and may be difficult to overcome include:

- Soil erosion as a result of poor land management
- Liquid and solid waste, a problem common to all islands but especially on Rarotonga where effluent seeps into the lagoon from household septic tanks, tourist resorts and pig and chicken farms, and makes reefs less resilient to coral bleaching
- Over-harvesting of certain species including clams, reef fish, and coconut crabs.
- Mining of sand coral and gravel aggregates from the beaches for construction contributing to coastal erosion and lagoon sedimentation.
- Foreshore development, resulting in reclamation of land for construction and inappropriate sea walls being major problems on Rarotonga and Aitutaki.

3.1.4.2 Disaster and Risk Management

The National Disaster Management Office (NDMO) is based within the Police Department and responsible for the development of policies relating to disaster preparedness, risk reduction, coordination and is secretariat to the Cyclone Centre whose membership comprises the same as the National Disaster Management Committee. The Cyclone Centre is made up of the Police Department, Telecom Cook Islands, the Meteorological Service and Office of the Prime Minister.

Cook Islands approach to disaster management in recent years has shifted focus from recovery and response to preparedness and risk reduction with a large input from the private sector and the community. This is important given the geographic isolation of the outer islands, transport and infrastructure limitations on those islands and cost.

The Cook Islands National Disaster Management office has recently adopted a regional approach to managing national hazards and risk, under the SOPAC's Comprehensive Hazard and Risk Management (CHARM) strategy. The main elements of CHARM are to first Establish the Context, then Identify, Analyse, Evaluate and Treat Risks. Effective response and recovery mechanisms need to be balanced through strategic efforts to avoid risk through precautionary approaches. Over the course of the next 3-5 years CHARM is to be mainstreamed as core business within government, non-government and regional partners program activities.

While, our disaster management program has currently integrated adequate early warning systems for immediate disasters (cyclone, tidal surge), early warning systems for long-term disasters (climate change effects-droughts) need to be incorporated in our planning systems.

Government is improving infrastructure and construction standards as preventative measures against disasters. Construction of community cyclone shelters, seawalls, better harbours especially in the Northern Group islands (atolls) is continuing. PeaceSAT/HAM radio communication systems are still maintained by both government and private citizens as backup to Telecom's satellite communication systems in the outer islands. A small search and rescue unit has been formed comprising of police, community volunteers, and specialists to deal with rescue emergencies.

One of the priorities in our disaster management program is the completion of a national comprehensive hazards risk analysis. Other priority areas include development of contingency plans for managing medium to long-term disaster (drought) effects. Focal points on all islands have been established for the coordination of preparedness activities and the management of emergency response, employing national resources such as budgetary and technical measures available within country. The shift from response and relief toward addressing disaster reduction, risk management, mitigation and preparedness is linked intrinsically to national development planning.

3.1.5 Managing Fragile Ecosystems: Combating Land Degradation

Land degradation in the Cook Islands is primarily the result of human activities and climatic variations to a lesser degree. Human activities include the excavation of coastal and sloping lands for agriculture, housing and commercial use. The State of the Environment (SOE) and the National Environment Management Strategy (NEMS) provide strategies for the management of the environment in a sustainable manner. The last SOE assessment was conducted in 1991.

While the Land Use Act provide for land zoning, the land tenure system of the Cook Islands does not conform to zoning as land use rights lie with the individual landowning families. The Environmental Assessment Impact report (EIA), provide guidelines and standards for land use allowing landowners to use their land with minimal adverse effects to the environment.

3.1.6 Conservation of Biological Diversity

The Cook Islands was a signatory to the Convention on Biological Diversity at the Earth Summit in 1992 followed by ratification on 20th April 1993. The Natural Heritage Trust supported by funds under the GEF compiled the Cook Islands National Biodiversity Strategic Action Plan (NBSAP). This 'blueprint' provides for the conservation of the whole of the Cook Islands biodiversity and was completed after two years of intensive consultation with all stakeholders. It is being promoted across the community in both English and Maori. The NBSAP conservation plan for Cook Islands native and important naturalised plants and animals is supported by traditional management practices – Ra'ui which is practised on all of the islands and in Rarotonga through the marine reserves established in various areas of the lagoon. A national workshop that was held in 2001 addressing traditional knowledge and intellectual property rights resulted in the NBSAP being strengthened on the protection of traditional knowledge and intellectual property rights.

The Cook Islands is a signatory to the Cartagena Protocol on Biosafety established under the Convention on Biological Diversity in 2000, however its ability to develop and implement a conservation plan will depend on human resources and funding under GEF.

3.1.7 Oceans

Cook Islands at the Johannesburg Summit declared its total exclusive economic zone of nearly two million square kilometres of ocean as a whale sanctuary and one of its islands, Suvarrow, as a Wild Life Sanctuary.

MMR in collaboration with the Ministry of Transport and the Environment Services manage Cook Islands oceans including enclosed and semi enclosed seas. MMR focus is on economic management of the oceans and inshore and coastal areas, while the Ministry of Transport administer the Marine Pollution Prevention Act that prevents the dumping and

transportation of waste in Cook Islands waters. The marine pollution program provides legal and administrative elements for the appropriate administration and management of shipping (including fishing vessels) in terms of the safety of life and property at sea, and the preservation of the marine environment. It includes the establishment of legislative framework for ratifying UN conventions and treaties, mechanisms at port in the event of oil spills and procedures for transportation of oil products. The Cook Islands is one of two Pacific Island Developing States with a Marine Pollution Prevention Act. In enacting the Marine Pollution Prevention Act, the Cook Islands acceded to several International Maritime Pollution Conventions including:

- International Regulations for Preventing Collisions at Sea of 1972
- MARPOL (Marine Pollution) 73/78 and amendments
- International Convention of Salvage 1989

Cook Islands, as a non-UN party is not a member of the International Maritime Organisation.

Maritime programs include the National Marine Spill Prevention Plan (NATPLAN), which is near completion and the Ports Authority by-laws for the management of oil spillage. The port of Rarotonga has had two minor oil spills in the period 1998 to current. Safety precautions for the shipping of petroleum products to the outer islands include the use of 1600 steel tanks and the marking of fuel containers by product name. Additionally the Ports Safety Committee has established procedures and regulations for the transfer and storage of fuel containers and a requirement for permits for work carried out on vessels while at port.

Outstanding issues include the establishment of a reception facility as required under the Marine Pollution Prevention Act for the disposal of garbage but not pollutants from vessels and the Cook Islands ratifying the following conventions;

- MARPOL 73/78 and its Annexes
- International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties (Intervention Convention 1969)
- The International Convention on Oil Pollution Preparedness, Response and Cooperation 1990
- The London Dumping Convention 1972 (Convention on the Prevention of Marine Pollution by dumping of Wastes and other matter)
- The 1996 Protocol to the London Convention
- The 1992 Civil Liability Convention
- The 1992 Fund Convention
- The Basel Convention dealing with the trans-boundary movement of hazardous waste.

3.1.8 Multi-lateral Environment Agreements, Protocols and Treaties

The Cook Islands together with other Pacific nations is supportive of the regional and international initiatives to harmonise and synergise international common issues and is a party to a number of Conventions. These include the United Nations Convention on Biological Diversity and its related Protocol on Biosafety, United Nations Framework on the Convention for Climate Change and the Kyoto Protocol, United Nations Convention to Combat Desertification, the Waigani Convention on the Transboundary Movement and Dumping of Hazardous Wastes in the Pacific Region.

The Cook Islands is in the process of acceding to the Vienna Convention as a full and independent member following the strengthening of its special relationship with New Zealand in 2001. The Cook Islands has been in compliance with the requirements of the

protocol by default as most of the products used in the Cook Islands are imported from countries that are parties to the Montreal Protocol. However the

The Environment Service Climate Change Office is the liaison with the Energy department for the national implementation of the SPREP “Pacific Island Renewable Energy Project” (PIREP) which aims to reduce the amount of Greenhouse gas (GHG) emissions in the Pacific by cutting the use of fossil fuels for energy. Financial and technical support provided by some of the Conventions to developing countries such as Cook Islands have enabled the production of the first National Communications on Climate Change which included a national greenhouse gas inventory. Other activities include the implementation of a national vulnerability assessment together with island-specific vulnerability assessments for Mangaia, Penrhyn, and Aitutaki. The multi-sectoral country team approach taken led to the drafting of a National Implementation Plan for Climate Change.

Although a signatory to the Waigani Convention to Ban the Importation into Forum Island Countries of Hazardous and Radioactive Wastes and to Control the Transboundary Movement and Management of Hazardous Wastes within the South Pacific Region, the Cook Islands approach to this issue has been on a ‘when the need arises’ and ‘as funding permits’ basis. The Cook Islands is in the process of acceding to the Basel Convention and activities under this include the removal of stockpiles of obsolete chemicals, poly chlorinated biphenyls (PCB) contaminated transformers and the development of training programs and national guidelines on the handling and disposal of asbestos

Government through its Budget Policy Statements continues its commitment to environment management and sustainability through its financial contributions, employment of personnel and the number of environmental science scholarships and the number of environment programmes it supports.

Challenges

Environmental issues and the need to protect and preserve the environment are well supported by the people of the Cook Islands despite considerable protest against the new Environment Act from various sectors of the community particularly in Rarotonga. Those disputes focus on the mechanisms for the application of the act rather than the protection of the environment itself.

Challenges facing the Environment Service include the continuation of the education of the community on the merits of protecting the environment without compromising their rights as traditional landowners and under mining traditional conservation practices and custom. Current issues stem from a lack of understanding and communication between the service, non-government environment groups and the community at large. At issue is the importance of adapting western style conservation methods to suit local conditions, practices and values.

There is need to highlight the role and relationship between non-government environment organisations and the Environment Service to be defined clearly as the current relationship between the two is not helpful to the advancement of environmental issues of mutual interest.

To insure the continuation of the National Heritage Trust a Cook Island counterpart should be identified as a matter of urgency to ensure the continuation of work programs and to develop linkages between the Environment Service and the National Heritage Trust.

Cook Islanders have developed some capacity to adapt to climate changes by application of traditional knowledge, locally appropriate technology and customary practice. Unfortunately adaptive capacity is low, because of the small size the nation, isolation, transport and infrastructure limitations of the outer islands, lack of comprehensive policies to deal with climate impacts, shortage of human resource skills, limited access to capital and technology, and environmental circumstances that increasingly differ from past experience.

The relative importance of the various sectors to the economy and socio-economic situation will influence adaptive responses and what will be required to cope with the impacts of climate change. It is therefore necessary to firstly ensure that the capacity – to *detect, plan and respond* – exists in all relevant sectors. The incorporation of the study of climate into the education curriculum as well as an increase in consultations and public awareness and education programs for the general public

Challenges facing small nations such as the Cook Islands in meteorological forecasting and climate analysis include the high cost and rapid changes in technology, the remoteness of the islands, low priority given the meteorological services by national governments and the non-core situation of the department.

The shift in approach to disaster management from recovery to preparedness and risk reduction include gaining commitment from government to strengthening disaster reduction and risk management capabilities and to linking disaster reduction and risk management activities to the national development planning process. There is also a need to improve and upgrade existing disaster legislation and to strengthening the capacity of the current national Office of Disaster Preparedness and Management. While improvements to early warning systems are essential with unpredictable hazards such as storm surges and cyclones, long term warning systems are also important especially for drought situations. Completion of a comprehensive national hazard risks analysis is therefore a priority.

Challenges facing the Cook Islands in combating land degradation include the need to introduce land zoning that will not encroach on the rights of traditional land owners and will fit the land tenure system. It is also important that management plans for areas most at threat and for national reserve islands such as Suwarrow and Takutea are developed.

Other challenges in environmental management include the transfer of technology, maintaining equipment, consistency and quality of data, completion of inventories and assessment of renewable energies potentials. The placement of oceanic monitors and gauges in our expansive waters will enhance our long term vulnerability assessments, monitoring and risks management program through improved data compilation, management and sharing of information and to begin the implementation of adaptation options identified as part of these assessments.

3.2 INFRASTRUCTURE ADVANCEMENT

Infrastructure development is vital to the advancement of economic development and social progress. Adequate and affordable infrastructure services in the form of electricity, roads and safe water, transport, communications and waste management are required to support and facilitate economic and social development. All of the islands of the Cook Islands have electricity, water and telephone services. Most of the islands roads are either sealed or constructed of compacted crushed coral or sand. However, signs of the times have also brought forward issues related to waste managements, increasing backlogs in

maintenance, peaking capacity levels and increasing growth in demands. The following chapters will therefore reveal advancements and constraints affecting our national infrastructure development programmes.

3.2.1 Energy

The Ministry of Energy is responsible for the development of electrical policies management, regulation and quality control of electrical services and providers in the Cook Islands. They are also responsible for the registration of electricians.

“Te Aponga Uira o Tumu Te Varovaro” (TAU), a state owned enterprise is responsible for power generation and delivery in Rarotonga only. Local Island Governments, through their energy administration units deliver energy services to outer island communities. With the exception of Pukapuka, which uses solar energy supplemented by fossil fuel, all other islands use fossil fuel for energy. Wind power energy is being developed in Mangaia. The sustainability of energy supplies in the outer islands is a major concern because of the lack of resources, maintenance and management of plant and equipment and the lack of skilled technical staff to manage those.

The bulk of energy in the Cook Islands is generated from imported fossil fuel with solar power and natural gas used for water heating and cooking. 90% of the population of the Cook Islands has access to power. Rarotonga’s consumption of energy for 2000 was 21,367,000 kWh an increase of 127% when compared to 1995 and 52% increase over 1991.

The rapid increase in the tourism and tourism related activities and commercial sectors, together with the changing lifestyle of Cook Islanders in general pose challenges to the deliverers of power in the country. At present the excessive demand is starting to place pressure on the existing energy generation and delivery infrastructure. TAU has developed corporate plans aimed at meeting an increase in future demand within their resource constraints

The dilemma of an energy deliverer like TAU is to balance and manage cost against demand within a socially sympathetic environment. TAU operates against a backdrop of limited resources, distance from source of fossil fuel (diesel), aging and inefficient equipment, and the need for continuous training and a reliance on external expertise or formal training overseas.

TAU like other suppliers of energy power also has to manage its operations against a background of rapid changes in technology in an industry where cost of key resources are beyond its control and uses technology that requires regular change and upgrading to prolong economic life. Current energy suppliers have mostly outdated and inefficient equipment.

Challenges

Major sustainable development challenges in the energy sector include developing alternative and renewable energy sources using ocean and windmill technologies to reduce dependency on fossil fuel particularly in the outer islands. The development and achievement of alternative energy sources is dependent on the availability of funds generally and in the outer islands limited capacity to manage operations. TAU will continue to invest capital and equipment in the electricity generation and delivery infrastructure of Rarotonga despite high fuel, land, and imported materials and equipment

costs, tariff restrictions influence by government, and unplanned development around the island which are stretching TAU resources. Increasing the capacity of TAU to accommodated future growth in capacity demands and peak demands will be dictated by the consumers' ability to pay for the increases.

3.2.2 Water

The Ministry of Works through its Water Works Department (WWD) is responsible for the management and development of water resources in terms of water supply in Rarotonga. Rarotonga water supply is sourced from 12 water intakes sited within small catchment areas, 4 horizontal water galleries and limited storage reservoirs.

Water supply on Rarotonga is beleaguered by limited or lack of storage capacity, lack of supplementary systems, insufficient financial resources and water quality, low water flow in stream/high flow losses (over 30%) in network, backlog in maintenance and continuous development of unplanned development in other sectors. There is an urgent need to upgrade and develop the existing water network, water intakes and construct storage reservoirs.

There is a need to develop water accounting systems (metering) for the introduction of 'user pay' systems and an amendment to the building code to require all new houses to have a water tank to supplement water supply. A further requirement is the development of ground water as supplement to existing supply sources particularly for agriculture purposes.

WWD has developed a 5 and a 10 year infrastructure strategic plan that incorporates the improvement, upgrading, and development of water distribution network systems including pipelines; water storage reservoir or tanks; water treatment; data collection and monitoring and an on going program for public/community awareness and education. The program covers Rarotonga only. At issue is the extension of water programs to the outer islands.

Due to the lack of water storage capacity and the increasing occurrences of drought conditions, the importance of the development of public awareness and education programs with the community on water supply and security issues is a key priority. Those education programs will include proper utilisation, water protection and conservation.

The WWD is adapting International standards for monitoring water quality to the Cook Islands conditions. Public calls for improvement in the quality of drinking water nation wide means government will have to start looking at establishing water treatment plants in the near future.

Challenges

The lack of water storage capacity and the increasing occurrences of drought conditions highlight the urgency of introducing on all Islands, water storage reservoirs or tanks, water treatment options, data collection and monitoring and an on going program for public/community awareness and education. Currently, completion of upgrade of the last 50% of pipe network around Rarotonga is priority before upgrade of intakes. Additional challenges include the introduction of 'user pay' for water services, the introduction into the Building Code of a requirement for all households to have supplementary water tanks and the management of development behind the water intakes on Rarotonga given the nature of the land tenure system. Fast tracking of the AusAID water projects development in the Outer Islands would reduce the hardship related to access to quality water and promotion of whatever economic development activities remain on some islands.

3.2.3 Waste Management

Concerns with impact of nutrients and leachate in the Muri lagoon and around Rarotonga highlight the urgency to address the sewage treatment system for Rarotonga.

The Waste Management Project is a partnership between the Asian Development Bank and the Cook Islands government. A major activity of the project was to construct engineered landfills, sewage treatment plants and new Recycling Centres for Rarotonga and Aitutaki. The Rarotonga Recycling Centre at Ngatangia which has been in operation since April 2001 will be relocated to Arorangi.

The Waste Management Project will conduct education and awareness campaigns, introduce a User Pays system to fund the repayment of the ADB loan of NZ\$4.6 million and develop an integrated National Waste Management Plan. The introduction of User Pay system will also ensure the sustainability of the landfill and waste management system.

Outstanding requirements for the sustainable management of waste is the provision of on going training, monitoring and management capability to the regulatory agencies, Environment Services, Public Health and Ministry of Works.

Challenges

Inclusive to the introduction of 'user pay' to cover management and operations costs of the waste management project, further challenges include the development of management plans and regulations on sewage systems, farming practices, packaging materials used for imported products, the disposal of the carcasses of used vehicles, machinery and equipment, the reduction in the use of fossil fuel for energy and the introduction of alternative and renewable sources of energy sources and bio degradable products and packaging materials.

3.2.4 Information Communication Technology (ICT)

The Cook Islands has one of the best telecommunications services in the Pacific with all islands linked by telephone. Telecom Cook Islands, a joint venture company owned by the Government of the Cook Islands and Telecom New Zealand, provides telecommunications services nationwide. A review of this joint venture is due in 2006 and it would be prudent for a committee to be assigned the task of advising Government on the best options to follow for the future delivery of sustainable telecommunication services to the people of the Cook Islands. That review would include the option to continue with the current monopoly situation or deregulate the services. Difficulties with the continuation of the monopoly include telecommunication costs and quality of services provided. While opening up the service to other providers may introduce competition, the issue of sustainability, quality of service and cost in a small market, including services to the outer islands could be a challenge.

Advances made in ICT in the Cook Islands in the past 20 years include the arrival of touch dial telephones, internet access and email on most inhabited islands, digital mobile phones, telephone services to all outer islands and television services to most of the outer islands, ATM and e-banking, edu-net and tele-health services, computers in all workplaces, schools and homes.

Issues relating to the growth of ICT in the Cook Islands include: the development of strategic policies and regulations to monitor costs and efficiency in the delivery of ICT services; to govern the operations of the provider(s) to ensure that the interests and needs of the nation are addressed and included; to supervise the information downloaded and the supply of that to users; and to ensure that the culture and values of Cook Islanders are not compromised by that information. Other issues include appropriate training and up skilling in the use and translation of the information and knowledge available on the Internet and the operations and maintenance of equipment used to provide that information.

Challenges

The challenge to government is how to introduce competition in telecommunication services to reduce costs and improve efficiency and quality in the delivery of service. Paramount to this is the need for new ICT policies to be designed to promote, monitor and regulate the industry and the provision of training and up skilling of Cook Islanders.

3.2.5 Transport and Roads

The remoteness and distance of the Cook Islands from international shipping routes and the distance between the islands has been a challenge in the development of a sustainable shipping and aviation services. International shipping links between the Cook Islands and international markets are provided by EXCIL, a private owned company and the Pacific Forum Line provide international shipping to and from the Cook Islands.

Inter island shipping links are operated by two operators one of which also holds an international shipping license giving it direct international shipping links to the Northern Group islands.

The Ports Authority is responsible for the management and operation of the commercial port of Rarotonga and Aitutaki. Ports in the outer islands are managed by the respective island administrations.

In terms of air transport the Cook Islands is a single airline destination with Air New Zealand providing air services. Aloha Airlines provides a charter service during the northern winter months giving the Cook Islands links to the Canadian and Hawaiian markets.

Inter island air services to all of the outer islands are provided by Air Rarotonga.

The Cook Islands Airport Authority is responsible for the management and maintenance of Rarotonga and Aitutaki airports. Airports on the outer islands are managed by the island administrations. Landing fees are paid to the island administrators who in turn use those funds to compensate landowners for the land and for airport maintenance programs.

Ministry of Works is dealing with the increasing backlog in road and bridges maintenance for Rarotonga especially. Currently, there are 100 km of sealed road out of 170 km on Rarotonga and 39 km out of over 200 km in the Outer Islands. Costs of maintaining roads on Rarotonga is significant and this is compounded by utilities (water, electricity and telecommunications) trenching activities on the roads. Better coordination and planning between utilities and MOW planners need to be improved. Discussion for construction of a common road ducting around Rarotonga for all utilities highlighted the concern between government officials about improving the road system.

Challenges

Cost of freight and timely delivery of goods have been an issue in the Cook Islands and remains so particularly in the outer islands where cost of basic food items and goods are high when compared to Rarotonga.

Airfares to New Zealand are among the highest in the region with lower discounted fares offered only when there is another airline serving the same route.

Challenges to Government includes the dilemma of managing the charges for freight and fares against the cost of maintenance of harbours and airports on each of the island and managing relationships with the providers of domestic and international shipping and air services.

Maintenance and upgrading of Outer Islands airports is crucial to meeting FAA standards and conditions and ensuring long term crucial transport infrastructure on these islands are sustained.

Continuing maintenance and phase out construction of a common road ducting system for utilities on Rarotonga need to be assessed.

3.3 SUSTAINABLE ECONOMIC SECTORS

Sustained economic growth is central to the well being of all Cook Islanders through increased employment opportunities, higher incomes and the development of a secure, equitable and caring society. The government of the Cook Islands recognises the importance of creating a positive macroeconomic environment in which both the public and private sector can participate in an open and balanced thriving economy. This includes supporting, strengthening and encouraging growth in the key sectors of the economy.

3.3.1 Financial Services Industry

The recent economic performance of the country is reflected in the emerging trends in the financial sector. The operation of the New Zealand currency in the Cook Islands precludes the need for a central bank and more significantly the inability to exercise monetary policy. The government's major input on the financial sector is through its fiscal policy, specifically through its large deposit holdings with the domestic banks. There are three banks trading in the Cook Islands: ANZ Banking Group, Westpac Banking Corporation and Bank of the Cook Islands. The demand of the government on the banking system prior and during the economic crisis caused a shortage of funds for the private sector. There are two domestic insurance companies as well as a number of insurance agents. The Cook Islands also hosts an Offshore Financial Services Centre.

The offshore financial services sector has participated in the Cook Islands economy for the last twenty years and for a decade prior to the Rio meeting. The Offshore industry contributes NZ\$14.1 million (2000) or 8.2% to the GDP with minimal environmental impact.

The Cook Islands financial services industry has recently undergone stringent reviews as a result of the Cook Islands being listed on the Financial Action Task Force list of Non Cooperative Countries and Territories in June 2000.

This resulted in the introduction of nine pieces of legislation designed to supervise, regulate and manage the industry to improve the provision of financial services, ensure

statutory compliance and avoid acts or practices that may be detrimental to the reputation of the Cook Islands or inconsistent with the responsible delivery of financial services. Specifically the new legislations were designed to remove it from the Financial Action Task Force List of Non Co-operative Countries and Territories.

The Money Laundering legislation suite consisted of: -

- Financial Supervisory Commission Act (FSC)
- Financial Transactions Reporting Act (FTRA)
- Banking Act
- Proceeds of Crime Act (POC)
- Extradition Act
- Mutual Assistance in Criminal Matters Act (MACM)
- Crimes Amendment Act
- Criminal Procedures Amendment Act
- International Companies Amendment Act

The new legislations effectively remove control of the Financial Supervisory Commission (FSC) from government and make it an independent self-funding body managed by a Board. Government revenues from Financial Supervisory Commission (FSC) will be those in excess of its operating costs. It establishes the Financial Intelligence Unit (FIC) under the Financial Task Force Reporting Act (TFRA) as an independent body reporting directly to the Minister of Finance. The operations of the FIC has been strengthened and expanded with sufficient resources provided in the 2003/2004 budget.

A new Banking Act has been introduced to rectify the issue of 'shell banks' requiring licensees to have an approved occupied premise in the Cook Islands and provides the criteria for the issue of a license including the requirement for the manager to be a 'fit and proper person'. The Banking Act replaces the Monetary Board and Offshore Financial Services Acts.

POC provides ability to detain, seize, freeze, restrain, monitor and confiscate proceeds of crime. It also enables law enforcement authorities to trace those proceeds, benefits and property. The act covers the issue of terrorism and money laundering.

Extradition Act codifies the law relating to the extradition of persons from the Cook Islands and will be administered by the police.

MACM addresses international cooperation issues specifically with assistance relating to the proceeds of crime and the admissibility of foreign evidence.

Challenges

The Cook Islands government is committed to removing itself from the OECD and FATF list of non-cooperative tax haven jurisdictions and to building a robust regulatory platform for the long term. The Cook Islands is being assisted by the Pacific Forum Secretariat regional project in drafting a comprehensive legal framework to combat the financing of terrorism. It is hoped that the Cook Islands will be removed from that list in the near future.

At the local level the poor public profile and lack of understanding by politicians, bureaucrats, public and media of the importance and contribution to the national economy by the industry makes it vulnerable to gaining support or sympathy to its issues.

Those issues relate to cost to operate the financial services industry particularly with respect to reliable, cost effective and modern telecommunications and the outstanding

request to remove VAT on offshore financial services. A VAT payment was introduced by the Offshore Financial Industry during the economic crisis and remains a contentious issue for the industry as no other jurisdiction charges their industry VAT. A further challenge for the industry itself is its own lack of strategic planning and inability to play a greater role in the local community.

3.3.2 Tourism

The tourism industry has led the growth of the Cook Islands economy for the past 20 years with an average growth in visitor arrivals for the period 1987 to 2000 of 6.3% and contribution to GDP for the same period increasing from 27% to 51%. Tourism revenues have grown in nominal terms from \$20 million in 1997 to over \$81 million in 2000. While tourism is concentrated on Rarotonga and Aitutaki with minimum impact on the rest of the islands there are plans to develop and expand tourism to all islands of the Cook Islands.

Given the positive outlook of the Cook Islands tourism industry, clear policies are being developed to enhance linkages between tourism and the commodities sector, as the needs and requirements of the tourism sector are not often known by other sectors such as agriculture.

Increasing local participation in tourism ventures is being carefully researched and analysed to ensure island communities receive optimum benefits from the industry with focus on an integrated approach that will incorporate social, economic and environmental programs, funds and initiatives into more effective, systematic and dynamic management systems for the industry.

The Cook Islands Tourism Corporation as a founding member of the South Pacific Tourism Organisation (SPTO) has taken advantage of initiatives in the area of Human Resource Development and Training, co-operative marketing initiatives, research and development and the establishment of a regional database. The SPTO environment management guide for small hotels and resorts has been disseminated industry-wide in the Cook Islands.

In consultation with the Australian Centre for Research and Green Globe Asia Pacific the Cook Islands Tourism Corporation is advancing Agenda 21 tourism applications for the Cook Island. Additionally it is working towards the adoption of PATA's code for Sustainable Tourism and the philosophy of 'think global and act local'. The Cook Islands will also adopt the APEC/PATA code for sustainable development which urges PATA Association and chapter members and APEC Member Economies to conserve the natural environment, ecosystems and biodiversity by contributing to the conservation of any habitat of flora and fauna affected by tourism and to encourage relevant authorities to identify areas worthy of conservation and to determine the level of development, if any which would be compatible in or adjacent to those areas.

Future tasks for Cook Islands tourism include a Task Force to determine appropriate medium to long-term options for tourism development suited to Cook Islands circumstances. This will involve widespread consultation and focus on community based tourism options for the outer islands and the development of environmentally sound tourism practice and the preservation of culture. Environment issues will form part of the Task Force brief in order to ensure industry compliance with 'best practice' standards and include enhancement and corrective actions at tourism sites to conserve wildlife and natural ecosystems.

Challenges

The potential adverse impact of current global events on international tourism calls for a tactical strategy to strengthen marketing programs, product development and promoting eco tourism and capacity building in the Outer islands to maximise economic gains from the industry. These efforts will include the strengthening and enhancement of partnerships with the private sector and NGOs.

3.3.3 Marine Resources

The Cook Islands, as a result of acceding to the United Nations Convention on the Law of the Sea (UNCLOS), owns an exclusive economic zone (EEZ) of nearly two million square kilometres of ocean giving it one of the largest economic zones in the South Pacific and the natural resources therein. Currently, the South Pacific Applied Geoscience Commission (SOPAC) and Ministry of Marine Resources (MMR) are holding copies of the EEZ boundary and bathymetry maps on behalf of the government.

The Ministry of Marine Resources (MMR) was established in 1984 to provide technical, scientific, advisory and administration support to all development projects involving marine resources and to advise the government of the Cook Islands on the exploitation, management and conservation of those resources. This includes the development of a Marine Resources Master Plan, the drafting of a new Marine Resources Bill and the review of Marine Resources Regulations.

In addition MMR has focused on the pearl industry in the Northern Islands of Manihiki, Penrhyn and Rakahanga with pilot farms to be trialled in Palmerston and Pukapuka. Developments in the pearl industry include the Penrhyn marine research centre, training programs for seeding technicians and the establishment of a lagoon-monitoring program with information being disseminated to all stakeholders.

While feasibility studies into fresh water prawns and the development of giant clams in the Aitutaki lagoon have been undertaken these remain undeveloped as research and studies demonstrate them to be uneconomical due to high set up costs and lack of labour available.

Long line fishing and the fishing industry generally have developed in the past two years with significant increases in locally owned and operated fishing vessels and the establishment of three (3) medium-sized pack-house facilities. Fresh chilled fish have been successfully exported to Japan, Auckland and Los Angeles.

Export figures to date show that for the first nine months (April – Dec) 2002 exports of approximately NZ\$6 million were achieved.

To date, a number of constraints have prevented the full development of potentially viable small-scale operations, especially in the outer islands. These constraints include expensive transport links, unsatisfactory infrastructure (such as freezing arrangements), high operating costs (such as setting up capture or warehouse facilities and freight from the outer islands), limited access to modern fishing technology and equipment, limited expertise and management skills relating to marine economic ventures.

Challenges

To improve the policy and legal capacity of MMR to ensure proactive participation in local and regional fisheries initiatives the Marine Resources Master Plan should be completed

as a matter of urgency. The plan will assist management in the promotion of sustainable marine resources usage and increase its contribution to national economic development. The Marine Resources Master Plan will include the review of existing fisheries management plans and by laws on all islands in consultation with stakeholders to ensure that they are consistent with appropriate resource management and conservation. Local management of fisheries is desirable to develop the fisheries industry in the outer islands. Local Island Councils with support from MMR should be encouraged to develop local management plans and regulatory procedures for each island.

The development of a strong industry association to develop the long line fishing industry would contribute to the protection of the interests of local fishermen and ensure balanced development. This can be achieved through the inclusion of local participants in the industry in the development of policies and the establishment of the regulatory framework.

Given the labour intensive nature of the marine industry issues relating to labour supply and skills need to be addressed as a matter of urgency. Training is therefore a priority issue not only for labourers but also throughout the management levels of the industry.

The fish corals and lagoons are among the nation's major assets supporting the tourism sector. Care is required in reef and lagoon management to ensure that their bio diversity is preserved and they remain attractive for diving and snorkelling. Resources with commercial tourism fishing potential such as bonefish in Aitutaki should be banned through the banning of destructive fishing techniques and the introduction of catch and release schemes and the training of fishing guides.

While the continuation of the Ra'ui program should be supported given its positive contribution to the conservation of lagoon and reef marine species and tourism, improvements in harvest management plans are urgently required to manage the resource during periods when the Ra'ui is lifted.

At the regional level, the challenge to MMR is the articulation of Cook Islands issues and interests in relation to the Commission for the Conservation and Management of Highly Migratory Fish Stocks.

3.3.4 Pearl Industry

The Cook Islands pearl industry is relatively young having been established 20 years ago. Today pearls are farmed in Manihiki, Penrhyn and Rakahanga with potential in three other lagoons.

Pearls contributed NZ\$14.5 million in exports representing 90% of total value of exports for 2001. The domestic market value has been placed at approximately NZ\$600,000.

Fundamental to the growth of the pearl industry is the management of its environment and the marketing of pearls. MMR has undertaken considerable work in developing the framework for and promoting the establishment of lagoon management plans however little progress has so far been made in getting those plans introduced on either Manihiki or Penrhyn. The same fate has visited the ADB Pearl Industry Development Project although supported by the Island Council and farmers have yet to be implemented. Marketing issues that require urgent attention and cooperation of all the stakeholders beleaguer the industry.

Challenges

A national pearl industry management authority to address issues faced by the industry particularly the need for improved management and coordination on each pearl farming island along with a Pearl Marketing organisation needs to be established as a matter of urgency. The success of this will depend on the support and involvement of all stakeholders in the industry and the development of strong marketing strategies and branding at the international market place.

It is anticipated that the national pearl management authority comprising all stakeholders will guide the development of the industry in lagoon management and monitoring, training programs on farm management and operations including pearl seeding procedures, quality control and marketing strategies and pricing. Inclusive in this organisation's responsibility would be the promotion and development of market strategies and the compilation, analysis and dissemination to market information to all farmers. While there has been some scepticism on the ability of such a body to succeed in light of the failure of the Pearl Authority established mid 1990's there is enough support from the industry to allow the organisation to try again. The Cook Islands government through the Development Investment Board is facilitating the evolution of a National Pearl Authority.

3.3.5 Agriculture and Rural Development

Up until the mid 1980's, agriculture was the main industry of the Cook Islands with production focused on the New Zealand market. Cook Islands export products including pineapples, bananas, citrus, tomatoes and fresh vegetables were protected by preferential tariffs. However, the removal and the reduction in the New Zealand general customs tariff on those food items to insignificant levels and the removal of New Zealand shipping subsidies caused the Cook Islands to lose its comparative advantage over other suppliers. The situation was further compounded by the decline in world copra prices resulting in export earnings declining from NZ\$1m in 1984 to zero in 1988. While all islands were affected the Northern Group Islands were particularly affected. Agriculture produce exports is restricted to pawpaw which have declined from a peak of NZ\$1.5 million in 1993 to NZ\$350,000 in 2000.

Under the 1996 devolution program the staff of the Ministry of Agriculture (MoA) was reduced from 270 to 30 with the management and operations of agriculture in the outer islands returned to the island administrations. Until the reform the MoA provided many of the services required by the agricultural sector. These included input supply, cultivation services and the provision of planting material. Following the reform process only the provisions of planting materials remain. Unfortunately most planters have not been able to move with the times creating an urgency to the need to educate them to become more self reliant and entrepreneurial. The reintroduction of input and service provision to assist planters after the 2000 floods on Rarotonga while understandable under the circumstances could be seen as a continuation of the culture of dependency. A National Agriculture Strategic Plan (NASP) was prepared to secure a greater and sustained contribution from the agriculture sector to the national economy particularly to food security and outer islands development.

The development and success of processing of agriculture products have had mixed results with more failures than success primarily caused by supply and marketing. Nono juice production has been a positive development over the past 5 years but is still undergoing production, supply and marketing difficulties particularly with transportation of outer island nono to the processing plants on Rarotonga. Opportunities with other

produces remain unused despite successes with similar produces in neighbouring Pacific nations.

The Cook Islands is free of several major pests and diseases that are common in the Pacific region and its quarantine services is a key area requiring vigilance on Rarotonga and the outer islands. MoA quarantine services and procedures need to be strengthened and improved particularly with regards to Border Controls and the dissemination of information and data to all of the islands. This has become particularly urgent since the introduction of the flat moth that has devastated coconut trees on Rarotonga and several of the outer islands.

The importance of information and the need to improve data collection and analysis to assist the development of agriculture policy and planning has been discussed with little result as the reform induced reduction of staff levels on Rarotonga and all of the outer islands affected capacity in data collection, compilation and dissemination.

Cook Islands enjoy a climate suitable to agriculture; however, some of the islands require supplementary irrigation especially during periods of drought. MoA has developed programs linking agriculture development and the environment through the establishment of low-cost demonstration hydroponics and organic agriculture particularly in the Nono industry. It has also conducted several extension programs to develop agricultural practices to reduce damage to the environment through the misuse of pesticides, chemicals and fertilisers and other inappropriate farming practices.

The small scale of the agricultural sector has affected Cook Islands efforts in the export market requiring it to adopt a 'niche market' approach with a focus on import substitution to replace imported produce with Cook Islands 'home grown' produce and the large Cook Islands population in New Zealand and Australia.

Challenges

Home gardening to support the family remains the focus of agriculture and is carried through to livestock production where focus is on subsistence production and for use in celebrations and ceremonies. Therein lies the challenge to the MoA.

The MoA should focus on policy development, regulation, monitoring, support to growers through advice and information, quarantine to protect bio diversity and research. These policies will lay the foundation for a management plan focussing on production, research, fertiliser/pesticide use and controls, quarantine and market niche development and opportunities. In effect the primary objective is to transform agriculture from subsistence to commercial production. This is particularly important with the growth and development of the tourism industry in Rarotonga and Aitutaki where market demand is not met and shortages are experienced throughout the year as a result of vegetables being planted during the cooler months due to easier management and better adapted seeds.

The management plan should include programs on efficient farm practices based on long term production rather than the current short-term price and production trend that see a glut of tomatoes or cabbages then none until the next season.

The planters themselves can support and strengthen the transformation from subsistence to commercial agriculture development if they reorganised and worked together rather than in the several planter organisations that currently exist in the Cook Islands today. Opportunity for a National Planters organisation is available, as legislation providing for a Primary Producers Federation has been in place for the past twenty years.

3.3.6 Forest Development

Forest plantations were established on the islands of Mangaia, Mauke and Atiu to counter soil erosion related problems caused by unsustainable agricultural practices in pineapple cultivation in the 1970s, particularly erosion in and around the watersheds and on vulnerable coastal forest areas (makatea.)

Species grown are Pinus caribea and acacia. Pilot plots of sandalwood and Hawaiian kava have been established in Mangaia. The Mangaia plantations are approximately 1000 ha, while Atiu and Mauke have 300 and 18 ha respectively. While some areas of forest in Mangaia are ready for harvest, there are no definite plans for this. A small saw mill exists in Atiu.

Difficulties with establishing forestry programs on the islands of Mangaia and Atiu include the lack of funds for further project development, training, minimal capacity of local specialists and the absence of research capabilities. The continued practice of slash and burn in the makatea areas, inappropriate land preparation methods and absence of managed and controlled uses of those areas have led to the degeneration of the eco systems therein. Forestry management on the island of Mauke is poor with plantation areas allocated to individual landowners. The plantations are not maintained and covered in weeds and in most areas inaccessible.

Challenges

The Cook Islands government needs to establish as a matter of urgency a management plan for its forested areas including the coastal forests in the outer islands with makatea, and those atolls with native trees. The management plan should include a program for trees for coastal protection, training in technical skills in vegetative propagation and the compilation of a resources inventory and utilisation database based on Sustainable Forest Management (SFM) principles.

It should also include data on land stabilisation and uses, a data base and resource inventory using the Geographic Information Systems and the development of guidelines and standards for land use for commercial, agriculture and residential purposes. It is expected that the ministries of Agriculture, Forestry, Mining, Environment and Tourism would be included in this process.

The landowning system of the Cook Islands underscores the urgency for appropriate afforestation and reforestation programs with landowners on all of the islands, especially in watershed and coastal forest areas. This process will need to be developed through a partnership program with land owning units, local communities, government and external funding partners. The establishment of such a management and implementation structure with clear responsibilities will ensure the success of a forestry program in the Cook Islands.

3.3.7 Land

Cook Islands land system is based on communal or multiple land ownership.

Common land tenure system problems that hinder sustainable development include multiple ownership, absentee owners, fragmented interests, legal ownership of some lands yet to be determined, unresolved landowner disagreements/dissatisfaction with Court decisions on land ownership and the impact of policies, legislation and complex procedural

requirements within the public and private sector which have created power imbalances between the landowners and their tenants or lessees – investors and developers. These power imbalances include, rural and outer island landowners not understanding land policies, outdated legislation that do not provide adequate protection or safeguards to landowners, cost to landowners for legal representation, absence of proper land valuation systems and competing interest between modern day land use and value and cultural heritage and values.

It is estimated that over one third of land on Rarotonga has become alienated through lease sales to local and foreign interests and investors who are not the original landowners and that this number will continue to grow as landowners become tempted to cash in through the sale of land leases. This is particularly noticeable with prime sections of Rarotonga's coastal areas being bought by foreigners for lifestyle homes or tourist related accommodation and support activities.

The Banks practice of using land for security of loans has contributed to the alienation of land through mortgagee sales. In 2000, over eighteen (18) acres of land was advertised by various banks for lease sale.

The nature of land ownership and absence of a town plan and zone system in the Cook Islands has resulted in development in areas vulnerable to erosion; land fills in wetland areas and the loss of agricultural land to tourism projects and homes.

While the Rarotonga Environment Act require all developments involving tourism-based activities, foreshore projects and industrial development to conduct an Environment Impact Assessment (EIA) and to for that due diligence process to include community and public consultations, the ability of the act to enforce controls have in some cases been inadequate.

Challenges

Challenges for sustainable land development in the Cook Islands include a need to develop legislation that will address land ownership issues, introduce zoning to protect vulnerable areas from further degradation and the developing of a land management plan designed specifically to develop a balance between the extremes of customary ways and western materialism. Given the emotional nature of land and the urgency to address the issue of alienation the development of new land management plans will require extensive consultation with all stakeholders and all Cook Islanders living both in the Cook Islands and overseas.

IV. CROSS SECTORAL AREAS

Consistency and continuity in coordination, formulation and implementation of international and national policies is essential in maintaining stability and confidence in our effort to build a sustainable future for our communities and people. The ensuing chapter therefore highlight the needs and constraints impacting on these areas and provide some insight into future expectations.

In this context, the Cook Islands government is committed to continuing its capacity building exercises to strengthen its workforce and institutions, and improve its ability to coordinate with our development partners for assistance, to better plan and implement policies as well as manage and mitigate threat to national stability and development in the future.

4.1 Financing and Investment for Sustainable Development

The recovery and growth of the economy since the reform period has seen a shift in the government position from borrower to net depositor in the amount of NZ\$30m in 2002. This positive result is mirrored by a reduction in the public enterprise borrowing from NZ\$8.7m in 1995 to under NZ\$1m at the end of 2002 thus providing more funds for private sector activities. The liquid position of the economy means investment funding is available to local industries and sectors for financing their business ventures especially in pearl farming, agriculture, longline fisheries and tourism. The level of borrowing by the private sector has grown substantially in the years following the reform reflecting increasing business confidence.

Government has also been active in co-financing sector programs which donor agencies were prepared to contribute funding into, including infrastructure development projects especially in the outer islands. However, the level of co-funding commitment differs between donors and government depending on priorities and availability of resources. Total foreign aid funding provided in 2002/03 was NZ\$9.04 million, which is slightly down from NZ\$10 million the previous year. NZAID, AusAID and recently China were prominent development partners in financing and sustaining a variety of projects in the Cook Islands.

In the Outer Islands, government and NZAID has invested \$1.8 million through the Outer Island Development Grant fund supporting more than 100 small business and community projects since May 2000. This is a significant achievement between both partners.

Government has also invested funds into the Nono Industry with the procurement of 300 barrels for transporting of nono juice from the outer islands to Rarotonga for processing and export to Asia.

The European Union has also granted to the Cook Islands this fiscal year NZ\$1 Million from its 9th European Development Fund (EDF) to assist Health, Education and NGO projects in the outer islands and the partnership is expected to grow in the future.

The 2003/04 Budget Statement of Fiscal Responsibility showed a continuing debt reduction strategy with debt repayments averaging NZ\$3.2 million over the last three years. This principle still remains an important financial and economic strategy aligned to budget policy statements, annual budget appropriations and the Manila Agreement. The Manila Agreement calls for government to maintain: not more than 29% in present value of debt to GDP ratio, not more than 15% of government personnel to GDP ratio and not more than 11% operating costs to GDP ratio.

The establishment of a Reserve Trust Fund by allocating a 0.5% of taxation revenue to the fund within the 2003/04 budget shows the government commitment to long term prudent fiscal management.

Not all investment and financing activities are effective, since co-funding of projects by the Cook Islands Government can be problematic due to the unavailability of local funding annually to complete major infrastructure projects on time, such as the Rarotonga Water System Upgrade.

One of the major constraints for the Cook Islands in accessing overseas development assistance is the lack of understanding of funding mechanisms and processes such as GEF, as offered by many donor agencies and countries. This in turn restrict the scope and number of national projects evolving from within communities in proportion to projects being forced onto us from regional and international focal points pushing their own agendas.

Strict conditions of accessing donor funding is causing delays and extended timelines in the completion and delivery of projects in the Cook Islands. This has seen excess unspent funds in various programs and the same time seen to undermine the Cook Islands government efforts to improve its absorption capacity for aid funding.

Our political status as a self governing entity in free association with New Zealand has caused difficulties in terms of having direct access to international assistance and voicing of our concerns in a timely manner to our development partners especially the United Nations.

Local consultants also need to be frequently engaged in donor funded projects because they are more likely to contribute long term to national development. Compiling of a database for sharing with donors and training of local consultants in donors processes will assist in their exposure to donor funded projects.

Challenges

Government needs to continually maintain prudent financial management policies in order to sustain national development programs and improve levels of donor funding assistance and projects.

Overseas development assistance coordination needs to be improved. The capacity of the Aid Management Division needs to be strengthened to improve the management, coordination and delivery of donor aid and projects.

Local capacity building needs to be developed to assist in understanding processes to access of international funds and consultancy work.

4.2 Economic Planning and Policy Coordination

Following the economic restructuring, particularly the public sector downsizing, and the frequent changes in government in the current election period, the effective coordination of national economic planning has been weak. Individual ministries were left to pursue planning on an ad hoc basis and with very little effective coordination and stewardship by the political leaders.

The existing process for national planning is captured in the annual budget process, and is not specifically set in a medium term framework. The current allocation of resources is derived from the Budget Policy Statement. The production of the Budget Policy Statement is collaboration between the Office of the Prime Minister and the Ministry of Finance and Economic Management.

The Budget Policy Statement contains the national development strategies of government including its objectives and priorities. It reflects the political aspirations and philosophies of the government of the day. A major shortcoming of the budget policy statement is the concentration on annual work programs without serious regard to a national medium term strategy including a public sector investment program that should guide the annual budget process.

Despite the lack of long term planning, the current planning process has nonetheless recognised the integration of the three pillars of sustainable development. In the 2002/2003 Budget Policy Statement the main objectives linked economic, social and environment initiatives to sustainable development. These were social cohesion, economic sustainability, good governance, infrastructure development, outer islands development and environmental management. The Budget Policy Statement 2003/2004 sought to strengthen the linkages of the national outcomes to the three pillars of sustainable development. However the annual focus of planning in the past six years raises efficiency issues and the need for a coordinated national strategic development plan.

The preparation of a national strategic development plan (with a five (5) year rolling focus) will assist government to establish broader macroeconomic objectives with respect to fiscal policy including intentions relating to revenue, expenditure and debt. One positive development in late 2002 has been the assistance given by the Asian Development Bank to establish prudent fiscal ratios under the Manila Agreement 1998 relating to expenditure and debt. This provides a prudent framework for future fiscal decision-making. However it does not identify what government's priorities are or what they should be.

A serious concern in the current planning processes and the lack of effective coordination between key agencies such as the Office of the Prime Minister, the Ministry of Finance and Economic Management and the Aid Coordinating Committee will need to be addressed. The political instability and weak leadership has also contributed to this problem during this election term. Assistance from the Asian Development Bank to help facilitate the development of the National Strategic Development Plan was approved in 2003.

A key factor in national planning is donor assistance, and effective participation from the Aid Coordinating Committee and Aid Management Division into the budget process has been, by default, marginal. However, the 2003/04 annual aid negotiation between the Aid Coordinating Committee, NZAID and AusAID (observer) proposed for changes in timing of these annual talks to allow allocation of aid project resources and government funding contributions to be discussed prior to the annual national budget preparations. NZAID and AusAID also proposed to harmonise their aid programs to allow efficiency in administration, delivery and implementation of projects.

Information generated from research activities are important to national planning and should compliment government policies or structured to cover changes in national policy directions. The Foundation for National Research program is responsible for processing applications, coordinating and advising government on research activities but to date have not been given an annual budget, nor an official mandate or legal framework to act accordingly. Hence, the current national research program is best described as ad hoc

with agriculture, public health, environment services, marine resources and foreign educational institutions implementing and coordinating their own programs. One of the important issues driving this program is the need to build local research capacity and retain ownership of locally researched information.

Processes for monitoring, evaluation and enforcement of regulations, national policies, strategies and plans must be also transparent and accountable. The current preparation of the next National Development Strategy revealed sector selectivity in applications of monitoring and enforcement activities and lack of consistency in international, regional and national indicators applied. It is now possible to suggest that the Cook Islands develop our own criteria for country specific indicators based on national priorities and interests.

The integration of the Millennium Development Goals (MDGs), WSSD and Climate Change principles into the national strategic plan will be important. Despite the non-membership to the United Nations and that the Cook Islands was not a signatory to the Millennium Declaration, the MDGs are consistent with the objectives of government and have been endorsed in principle in the Cook Islands.

Challenge

The preparation of the National Strategic Development Plan, with the inclusion of a Public Investment Program, WSSD and the MDG's will be crucial to assist the government of the day to maintain its sustainable development priorities and objectives. Capacity building in complimentary activities such as research and aid administration needs to be strengthened and structured properly to enhance the policy development, planning and project implementation exercises.

4.3 Human Resources Development

The establishment of the National Human Resources Department is an important part of the Government of the Cook Islands plan towards achieving sustainable economic development. It recognises that the shortage of skilled Cook Islanders is affecting Cook Islands development and has caused the importation of foreign labour a practice that has created further issues for government and the people.

The creation of the department as the focal point for the management of all training programs both external and in country and the establishment of a successful partnership with the private sector for skills trade training is part of the plan to train and up skill all Cook Islanders to work in their own country.

The Human Resource Department was established in 2000/2001 to address the lack of skilled and qualified people in the work force and to manage the scholarship award scheme, provide in- country training programs and training attachments funded by New Zealand and Australia.

The department has developed programs to gain qualification accreditation at post secondary level and to strengthen technical, vocational education and training. These programs have become more specific in addressing needs areas following the completion of the National Resource Development Strategy Report in 2002.

While the department has been successful in its programs to date outstanding issues of concern with its sustainability in meeting its goals are the limited resources available to it and shortage of suitable staff. Government has tried to address these through budget

support and the allocation of EU funding, however further assistance needs to be provided particularly in the delivery of training programs to the Outer Islands.

Post secondary training is provided through New Zealand and Australian sponsored overseas scholarships mainly at regional institutions and through local institutions such as the Cook Islands Teachers College, Hospitality Training School, Nursing School, USP Centre, Distance Learning programs and private owned training centres.

Challenges

Labour shortage and skills shortage is chronic with many businesses importing workers from outside of the Cook Islands. The lack of basic skills amongst school leavers is pervasive and demonstrates the need for the education system to be synchronized with the economic and social needs of the nation. The efforts by the department of Human Resources in developing trade-training programs must be encouraged and supported and extended to include input from all stakeholders. This support should focus on the application of the recommendations of the National Human Resource Development Strategy Report 2002.

4.4 National Security and Policing

Priorities for national security have shifted focus from traditional policing programs as well as in terms of management strategies since the event of September 11. Cook Islands border security management has been upgraded and improvement is continuing under the framework of Combine Law Agencies Group concept. The concept was a regional initiative of the Pacific Forum Countries and including French Polynesia and New Caledonia aimed at breaking down territorial management behaviours between local, national and regional security management agencies. Problems identified include the hesitation in exchanges of information due to territorial management mindset.

Currently, the Cook Islands immigration service is in the process of installing a computerised border management system at our international ports with assistance from AusAID and NZAID. The Customs Department is also one of the border security agencies requiring the computerisation of its information storage and management systems.

One weakness in the airport security system is the lack of x-ray machines and iron scans for baggage security. Although these are expensive systems, these are essential especially the x-ray machine in order for the Rarotonga International Airport to meet FAA standards by January 2006. Overall, the airport security just needs some fine tuning to improve its effectiveness.

EEZ surveillance and management by the Police Maritime Surveillance Centre is far from adequate. Problems are still being experienced in high operational costs, logistical difficulties and lack of funding. A strategy to establish a patrol boat base in Penrhyn (Northern Group), where there is a high level of illegal fishing reported, has been unsuccessful due to lack of funding. Having a single patrol boat to effectively police 2 million square kilometres of EEZ is also unrealistic. Assistance for EEZ surveillance by the French Navy, New Zealand Air Force and Australian Navy over the years will continue to be welcomed.

Problems with limited security at the shipping port in Avatiu are under review by the border security agencies. Discussion of issues such as having complete enclosure fencing of the Port area and separating the domestic and international port areas is continuing. Concerns were raised especially in the transshipment of drugs by yachts, and fishing boats

as the levels of boat activities in and out of the Avatiu port increases. Congestion of boats in the harbour raises safety concerns and risked to movement of ships and cargoes in and out of the port.

One other weakness facing the nation is the inadequacy of search and rescue facilities such as a secondary option for sea rescue. Currently, there is a risk of failure to respond to emergencies if the Te Kukupa patrol boat, which doubles as search and rescue vessel, is away in the northern group on patrol duties. Government has obligation to provide safety to fishing boats and guarantee protection to boats operating in its waters.

Drug transshipment is a major concern and capacity in dealing with random checks at the Cook Islands international airport and ports of call are already tested and found to be inadequate. Continued training of officers and introduction of another specialised trained dog maybe required. Both the New Zealand and Australian governments are providing assistance in this area.

Concerns of overseas influences of use of designer drugs, namely “P” or methamphetamine as well as marijuana use amongst youth and school children despite isolated incidents of proven use are of concern to the community. Educational awareness programs is currently being implemented in schools and community youth groups. Further assistance is necessary in areas of counselling, training for drug educators, funding assistance for youth programmes and projects.

Challenges

Challenges facing our national security and policing agencies as well as border management agencies include the need to computerise our border management systems as well as allow connectivity in general information management systems for ease of exchanges in information.

Improvement in airport and shipping port security is required to allow for better management and monitoring of personnel, shipping, yachts and fishing vessels and cargoes in and out of the port area. Acquiring xray and iron scan machines for the international airport is important in order to meet FAA requirements.

Improving local capacity for drug awareness and education, detection of drugs transhipped via the Cook Islands is also high priority and is a threat to national security. Assistance to fund EEZ surveillance operations and management is also required to sustain the program and make it effective.

V. TRADE AND INVESTMENT

Trade and investment is an important component in our quest for sustainable economic development. The driving forces for trade and investment in the Cook Islands are found in the success of the tourism industry and in particular, Tourism Cook Islands and Development Investment Board overseas promotional and marketing strategies.

In that regard, the Cook Islands, through its institutional strengthening and capacity building exercises is committed to improving its trade position despite the overwhelming odds painted by the imbalance in trade figures. Currently, the national focus is on improving our EPA relationships, export products, services and diversifying our viable niche market operations which can provide short term economic buffering effect from seasonal losses in our mainstay industry, tourism.

5.1 Trade and Investment

Government overall policy in relation to international trade is to: maintain existing markets and explore and exploit new and diverse international market opportunities, paying particular attention to possibilities for involving the Outer Islands either directly and indirectly in international trade; provide the infrastructure necessary for the development of international trade; and promote sound, socially acceptable, foreign direct investment that will realise net benefits for the Cook Islands.

The Cook Islands has signed and ratified both the Pacific Island Country Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations (PACER) and the EU-ACP Cotonou Agreement reflecting government's interests in regional and global trade developments.

In terms of external trade performance, all indicators showed a significant trade imbalance for the Cook Islands. Given the country's isolation from markets, narrow production base and limited capacities and resources, this is not surprising. However there is counter balance as a result of substantial generation of tourism receipts thus offsetting the monetary outflows from imports.

Total imports into the Cook Islands for the year 2002 was \$102 million, with the top import categories being machines, transport and equipment (\$26 million), food and live animals (\$23 million), basic manufactured items (\$17 million) and miscellaneous manufactured goods (\$14 million). New Zealand is the principle supplier of goods into the Cook Islands representing \$80 million or 80% of total imports in 2002. The import of food and live animals reflects the dominance of imported food items and highlights the failure of the agriculture and the secondary sector to substitute with local products.

Exports of fresh fish from the long line fishing and the fishing industry generally have developed in the past two years with significant increases in locally owned and operated fishing vessels and the establishment of three (3) medium-sized pack-house facilities. Fresh chilled fisheries export figures to date show that for the first nine months (April – Dec) 2002 exports of approximately NZ\$6 million were achieved. Aquarium fisheries export was valued at \$145,000 for the first six months of 2003.

Agriculture produce exports are restricted to pawpaw, maire and nono produce. Pawpaw is currently improving after several years of decline from its peak of NZ\$1.5 million in 1993. The first six months of 2003 saw pawpaw export jumped in value at \$491,000. The lowest export value was in 2002 at NZ\$163,000 after years of poor production levels mainly because of a prolonged drought and followed by unpredictable flooding periods. Maire

exports were valued at \$47,000 which is an increase from \$36,000 in 1999. Growth is expected in manufactured nono juice as a direct result of increased activity in nono production. The value of the nono export increased from \$82,000 in 2000 to \$165,000 in 2002 (*Cook Islands Nono Industry Figures*). Demand for Cook Islands nono produce is about 600 tons per year on the Asian market. Current export levels are 120-180 tonnes per year, thus showing additional market potential and encouragement for increasing local production.

In 2001, pearls contributed NZ\$14.5 million in exports representing 90% of total value of exports for 2001. Pearls exports have significantly decline from a high of \$18.3 million in 2000 to \$6.4 million in 2002. The current domestic market for pearls has been valued at approximately NZ\$600,000.

Problems are also evolving as the trade activities grow. Scope of exports are restricted especially for transporting of perishable products such as chilled fresh fish because of limited air freight space and flight destination to New Zealand, United States, Fiji and French Polynesia.

Reviewing and simplification of the import tariff regime is needed to improve the administration of this important revenue source while the same time reducing dependence on border taxes.

Labour shortage due to the significant migration of the local population to New Zealand and Australia over the reform period has created recruitment problems especially in our tourism industry. Foreign workers are currently being employed from Fiji, Tonga, Samoa, Philippines and Indonesia to supplement our labour needs. While, this situation implies non-existence of unemployment in the Cook Islands, this is not the case especially in the outer islands where job opportunities are limited. Of our national residence population 15 years and over, 9% were unemployed. The population of unemployed people in the outer islands is 63% of the national total. Split along gender lines, reports showed women unemployment at 49% of the national total. Problems of cultural sensitivity, social behaviours and employment conditions are also emerging as tensions between the local population and foreign workers evolved.

One of the weaknesses in the national trade and investment program is that the role and responsibilities for managing and implementing our trade policy is not clearly defined. While the Ministry of Foreign Affairs is responsible for managing the trade policy, DIB and SBEC tend to assume responsibility for implementing the policy. However, problems have been cited for inconsistencies in information and data collected by MFEM and DIB. There is also limited capacity in trade negotiations, administration and understanding the impacts of the new global trade on the country.

Challenges

The challenge to the national trade and investment program is the need to establish the program under a single entity with a clear mandate for policy administration and implementation. Customs and Immigration need to be computerised to improve information management, data collation and coordination efforts with the Statistics Division, Economic Planning and DIB. Capacity building is a high priority especially training for trade negotiations, management and technical expertise on fiscal issues to maximise benefits for the Cook Islands from the economic partnership agreements, foreign and local market promotions, improving compliance with overseas trade conditions, improving local infrastructure support and facilities involved in foreign trade and to develop niche products and markets. Reviewing the import tariff schedule is essential to improve

administration of revenue. Concerns with national impact of trends on free trade need to be assessed and develop policies to address these impacts. Government need to be proactive in providing infrastructural support, capacity building and technical assistance to various export sectors. Assistance will be required to implement the outcomes of the ongoing review on our immigration policy is expected to address concerns on foreign workers employment and welfare.

5.2 Private Sector Development

The government recognises the private sector as a strategic partner in generating and sustaining economic growth. The economic reform program saw the withdrawal of government from economic activities providing room for the private sector to grow. As a result, the following agencies and mechanism were established to promote and facilitate private sector development.

The Development Investment Board (DIB) was set up as part of the economic reform process as a one-stop shop for investment facilitation to increase economic growth and employment in the Cook Islands. In addition to the facilitation and development of foreign investment the Board is also responsible for the development of trade.

The DIB has in recent years been under considerable public scrutiny over the types of investment, investors and investment climate it has developed. There is considerable unease at the level of alienation of land through sales of leases to foreigners and the number of investments in direct competition to local enterprises.

The public concern includes the lack of results in job creation, introduction of new technology, skills and money into the economy. Criticisms include the number of foreigners being imported to work in the country, the number of 'life style' investors and the practice by foreigners of borrowing money to fund their investment within the country. This practice reduces funds available to Cook Islanders.

The Investment Code 2003 sets out priority areas for foreign investment and areas reserved for locals only. The Code sets out Government policy and procedures for investment.

The Small Business Development Centre (SBEC) is a stand-alone operation funded by NZAid and the Government of the Cook Islands. The SBEC Board members are exclusively from the private sector.

The primary focus of SBEC is to provide business advice and training, networking within the small business community, co-ordination of key organisations, and identification of new enterprise opportunity, provision of an information service and the provision of training and business advice to the outer islands.

The SBEC has been working closely with the Outer Islands Development Grant Fund Committee in the identification of economic opportunities, and the development and preparation of business and marketing plans for small business development in the outer islands. SBEC also works closely with DIB and other relevant government and private agencies.

In response to the lack of credit available to the Outer Islands, the Outer Islands Development Grant Fund (OIDGF) was set up in 2000 with funding from the Cook Islands government and New Zealand Aid. The principal purpose of the fund is to achieve

sustainable development goals for the Outer Islands linked to national development objectives. The core objective is to provide financial grants to business and community projects that can be used as seed funds towards loan applications to the financial institutions in particular the Bank of the Cook Islands.

To date, the OIDGF has financed a total of 100 projects costing almost \$1.8million on the islands of Atiu, Mauke, Aitutaki, Mitiaro, Mangaia, Manihiki, Rakahanga, Pukapuka, Nassau and Palmerston. The projects include women's' groups, youth and sporting groups, tourist accommodations, bakeries, carving, sewing and other cottage industries, and infrastructure projects.

A review of the OIDGF guidelines and procedures will be undertaken this year, 2003, with the aim of improving the areas of outreach, monitoring, and reporting. It is anticipated that the OIDGF will be transferred and managed by SBEC in providing grant funds to business ventures. NZAid Community Initiative Scheme will fund the community projects under the management of the Aid Management Division of the MFEM.

Challenge

The challenge to the DIB is to work closely with the private sector and government agencies to develop and promote production levels of export commodities and the identification and development of new market sources and opportunities.

In addition there is a need for the DIB and SBEC to be merged and strengthened given the synergy of their operations and for consolidating their resources. The management of the OIDGF should be transferred to SBEC to consolidate its operations of providing business plans and assistance with the allocation of associated grant funds to business ventures in the outer islands.

VI. MILLENIUM DEVELOPMENT GOALS (MDGs)

Cook Islands need to build upon its achieved MDGs goals and continue to improve its capacity in dealing with much of our social development needs.

Social cohesion in economic development is an essential ingredient for a stable society. The social fabric of Cook Islands society is built on a foundation of traditional family ties interwoven into family connections to the tribe, village, island and land.

Cook Islands recognition of the importance of a healthy and educated population as fundamental assets to national advancement is demonstrated by its commitment to supporting health and education as key priority areas in promoting living standards and investing in human capital.

6.1 Poverty

The concept of poverty by global definition does not exist in the Cook Islands as the term does not adequately reflect the conditions or the hardships experienced by the people.

Although the UNDP Human Poverty Index places the Cook Islands as better off than Fiji, Nauru, Tonga and Samoa, hardships do exist in the Cook Islands. The definition of hardship and potential solutions for the Cook Islands differ from those applicable to Fiji, Nauru, Tonga and Samoa. The Cook Islands ability in dealing with hardships are also different and not necessarily the same as those countries.

Poverty in the Cook Islands especially in the Outer Islands, is best described as 'poverty caused by unequal distribution of opportunity' brought about by small economies, isolation, a limited cash economy, distance from markets, inadequate infrastructure, education and health services and inadequate management and administration by various governments.

Contributing factors to poverty of opportunity include a land tenure system that has allowed absentee land ownership and the alienation of land through lease sales to non Cook Islanders and the continued migration of Cook Islanders to New Zealand and Australia. That migration has created problems in the form of labour shortages but also brought positive outcomes in the form of relief from social obligations through welfare payments and less demand on health and education services. It should be noted that the welfare system is not means tested but determined by age.

The ADB and UNDP indicators show Cook Islands with an adult literacy rate of 93%, however, the findings of the National Resource Development Strategy report 2002, show that there are 'immediate and critical skills needs for enterprises across all sectors of the Cook Islands economy'. Concerns relating to the influence of education as a cause of poverty of opportunity include for all islands focus on poor school management, lack of resources, low teaching skills and a curriculum that does not provide life skills for employment and career paths.

Poverty of opportunity as it relates to economic opportunities include a small economic base, lack of collateral, difficult application process, long delays in processing and the tendency on the part of the commercial banks to lend to bigger and established businesses rather than new small operations.

Challenges

Cook Islands need to define poverty as it applies to the Cook Islands and to develop methods of how to identify vulnerable groups and to set up a national database for policy formulation and monitoring. Clear linkages of poverty alleviation programs/activities to outputs and outcomes should be developed with strategies for alleviation and equitable distribution of benefits.

6.2 Education

Education in the Cook Islands is free in government schools and compulsory for all children between ages of five and fifteen. There are 33 schools on 12 permanently settled islands. In 2002, 4612 students (48% female and 52% male – similar to the national population gender split) were enrolled with 84% attending government schools. There were 297 teachers giving a student/teacher ratio of 16.

The Cook Islands Government considers the development of a culture that values and enjoys learning, and which facilitates the widest possible learning opportunities very important. The government also encourages people to take advantage of those opportunities through the existing education system. The people of the Cook Islands are a key asset and a valuable resource to development. An educated, skilled people with the right tools to manage their own destiny and contribute to the development of their own nation are a long-term objective of the government.

Government commitment to quality education and service delivery is demonstrated in increasing expenditure on education, and provision within the budget for additional funding to all schools including private schools. The establishment of the Department for Human Resources Development to address post secondary training and further strengthening the link with New Zealand Correspondence School for the provision of *distance learning* to the outer islands reiterates this commitment.

“Pacific historical education outcome figures (for the Cook Islands) compare quite favourably with those of larger countries in the Pacific region. In many respects, the Cook Islands are ahead of much bigger countries in its thinking about important aspects of education administration.” (*Growing As One – Cook Islands Education Sector Review, June 2001*). However, as the pace of global development changes, so should the education system to ensure its young people are well equipped to live in a contemporary society, hence the vision statement of the Ministry of Education (MoE); “To build the skills, knowledge, attitudes and values of Cook Islands people to ensure sustainability of economic growth, language, and culture of the Cook Islands and to enable Cook Islands people to put their capabilities to best use in all areas of their lives.”

There is a gradual but steady increase in achievement levels of students at primary level where literacy, numeracy and Cook Islands Maori language is built and strengthened. Secondary achievement and retention is gradually improving under the National Qualifications Framework under the umbrella of the New Zealand Qualifications Authority, which ensures students who leave school have portable qualifications. Teacher quality is also gradually improving with the recently introduced Teacher Performance Management Systems, revised courses delivered at Teachers Training College, and regular in-service training for teachers.

Challenges

If the Cook Islands were to keep its comparative advantage in the region and contribute more positively towards sustainable development, it has to continue to find better and relevant methods of continuously reviewing and improving its education system. This

includes the development of Cook Islands distance learning programs to ensure efficient, economical and equitable provision of secondary education to the outer islands; more opportunities for teachers to improve their knowledge, skills and qualifications especially those at secondary level; more and better reading resources in the Cook Islands Maori languages and dialects are developed to ensure Cook Islands children are literate in their own languages and dialects, where they will then be better prepared to contribute towards their own development in their own country, in the Pacific, regionally and internationally; search and adapt learning programs that will make curriculum and consequently, education, more relevant to the various economic circumstances of islands in the Cook Islands; and strategies to work in partnership with the local communities to support their children's learning will provide Cook Islands people with the skills and knowledge to master their own destiny.

The ultimate challenge for the Cook Islands, overall, is educating children to gain skills for sustainable living rather than to gain qualifications strictly for economic benefit.

6.3 Gender Equality and Development

While the principle of non-discrimination on the basis of sex is enshrined in Article 64(1) of the Constitution of the Cook Islands, there is no legislation, with sanctions, preventing intentional discrimination against women.

In the Cook Islands public service, Section 17 of the Public Service Act 1995-96 provides that the head of government departments must be a good employer and to adopt policies which will result in fair and proper treatment of all employees and in the impartial selection of suitably qualified persons for appointment. Unfortunately, there is no legislation or statutes guiding private sector employers on employees hiring and treatment.

National programs for the development of women include the establishment of the Division of Women Affairs, currently named the Gender and Development Division since 2002, within the Ministry of Internal Affairs with its own annual budget. Other collaborating institutions at the national levels include the Cook Islands National Council of Women, Cook Islands Women's Counselling Centre/Punanga Tauturu, and the Cook Islands Red Cross Society.

Government's goal for women of the Cook Islands is stated in the National Policy on Women (1995) which strives "to realise their full potential as contributors to and as beneficiaries of the development process in local and national development first and foremost, as well as in regional and international affairs.

Currently, NZAID, foreign governments and other ad hoc foreign aid foundations are providing assistance to the government and NGO programs through technical support and funding for gender specific programs at both national and community levels.

Areas targeted by these intervention programs include capacity building through leadership training, gender equality promotions, women welfare and activities programs community education and awareness about domestic violence and sexual assault, research and application activities, volunteers support training and programs, policy and legislation development, institutional strengthening in Police, Ministry of Health, Justice System and integration of gender considerations into national development projects such as Cook Islands Water Supply project, Cook Islands National Development Strategy and Tourism project

In the context of traditional customs and culture, women of the Cook Islands have overcome certain stereotypical roles by acquiring title holders on ancestral lands and communities leaders' title such as Ariki, Rangatira and Mataiapo.

However, many prejudices and stereotype roles for men and women exist which underlie discriminatory practices in our communities despite women making inroad into male dominated realms such as traditional title holders, membership in Parliament and local government level, and senior management positions in government and business sector.

Challenges

One challenge for the Cook Islands is to sustain momentum for several national institutions and local communities on-going intervention programs focussing on gender equality related training, women welfare and activities promotions, education and awareness as well as institutional strengthening exercises. Other challenges include the continuation of formulation and improvements of national and local policies and legislation that clearly prevent the intentional discrimination of and promote the welfare of women.

Fundamental to these challenges is that government and international agencies must continue to provide funding and technical assistance to these programs to ensure their success and realise the long term impact of these programs nationally and in local communities.

6.4 General Health, Lifestyle Diseases, HIV/AIDS and Dengue Fever

The Ministry of Health (MoH) is responsible for the management and operations of health services in the Cook Islands.

Public Health is the community outreach arm of the MoH with the primary responsibility of achieving long-term health for the population through health protection, prevention, promotion and education. It is also responsible for environmental health such as vector control services, engineering and technical services, industrial and occupational health, food and meat administration, drug and toxicological, epidemiology and quarantine services and health education and promotion.

Inclusive in the public health work protocol is lagoon and sea water monitoring to monitor the faecal coliform pollutant among 12 sites established around Rarotonga, regular inspections of households, tourist accommodation and piggeries and the provision of technical advice to repair/ improve waste disposal system.

The geographic remoteness of the Cook Islands make the delivery of health services to the outer islands difficult and expensive and the increasing expectations of the quality of service delivery by the population has added pressure on the health service. In spite of this Cook Islanders have one of the highest life expectancies in the Pacific of 72 years, low infant mortality, a population access to safe water of 92%, immunisation coverage of 95% and a contraceptive prevalence rate between 46 – 53%.

The health status by gender is not pronounced however there are some variations in the rates of non-communicable diseases between men and women. In the outer islands there is no significant pattern due to the small numbers of patients diagnosed. Diabetes is evident to a similar degree between men and women, but a larger number is accounted with women due to their greater life expectancy.

The economic crisis and ensuing reform program caused a major restructuring of essential services, equipment and personnel. User charges were introduced for prescriptions, consultations and overnight stays. While dental services on Rarotonga were privatised and investigations into privatising further services were undertaken, Government has reintroduced a flying dental service for the Outer Islands and for Rarotonga schools due to failing services in these areas during the national economic reform process.

Two Dengue Fever outbreaks in the past has claimed lives and also created negative impact on the economy as tourists tend to stay away from the Cook Islands during these outbreaks. It is therefore important that public health department remain vigilant and consistent in their environmental vector control and awareness programs including maintaining the successful local villages' public health inspections.

The national HIV/AIDS program has been active since 1986 and includes the development of a government policy currently being implemented. These programs have been coordinated and interrelated with other intervention, prevention, education, awareness and promotional programs such as CEDAW, National Women Program, Youth and Sports, Health Services, Emergency Response units, schools, government departments, NGO's, and community activities. Capacity building in all these programs including health care and management of HIV/AIDS is still being developed.

The Pacific HIV/AIDS Foundation, an NGO administered regional organisation, was established and based on Rarotonga since 2002. The organisation is championed by its founder Ms. Maire Bopp Du Pont, an internationally renowned HIV/AIDS activist.

Challenges

While there is debate on the quality and standard of primary, secondary and tertiary health not being consistent with the MoH's pledge to provide an effective and quality health care service it is acknowledged that the expectations of the community might be higher than what the public health service can afford to provide.

The MoH focus on primary/preventative health care service and strengthening of Public Health education programs particularly in prevention and reduction of life style diseases is part of the response to public demands. This could be strengthened through the development of a strategic management plan in consultation with all stakeholders that will address the specific issues of health care and services.

Inclusive in this strategy would be the appointment of a human resources development planner to improve coordination and planning of human health requirements, develop standards and minimum entry skills and qualifications for health training, establish clear career pathways for health workers to progress through and provide each island with a clear base level of staff requirements.

Challenges for HIV/AIDS and other vector borne diseases programs include Public Health Department consistently maintaining a strong environmental vector control and awareness programs, the continuing development of our capacity through cross sectoral intervention, prevention, education, and promotion and awareness programs for HIV/AIDS.

6.5 Outer Islands Development

Government is committed to sustainable island governance and development in each of the outer islands with efforts focused on the identification of economic and social opportunities and the provision of assistance to island governments in the design and

implementation of development projects. Central to this commitment is the reversal of the rate of out migration, which is a direct result of the public sector downsizing.

Total population for the outer islands in 2001 was 5,567 a decline of 27.6% from 7,697 in 1996. This represents 37% of the Cook Islands resident population of 14,600. Migration has left the outer islands with diminished productive capacities, smaller local markets and higher unit costs of public service delivery, especially in health and education. In 2001 almost half of the outer islands population was in the age groups of less than 15 years and 60 years or more, translating to 98 dependents for every 100 persons in the economically active age range. Analysis of the population shows that migration has also taken a disproportionate share of the better educated and more highly skilled and that 67% of the outer island population hold no secondary or tertiary qualifications with school enrolments down 29% on the 1996 levels.

The absence of private sector activity is demonstrated by lack of employment opportunities outside of the public sector, causing a high dependency on government for employment and welfare payments as a crucial source of cash income. 38% of the total population in 2002 was on benefit.

Since 1996 successive governments have pursued the objectives of devolving responsibility for public expenditure and public service delivery in designated areas to the island councils with associated capacity building and the development of economic social infrastructure. Participatory focus groups in turn are keen for the devolution process to continue however; this is handicapped by the fragmented approach practised by OMIA, line ministries and government agencies.

This has resulted in a duplication of activities and a focus on short-term initiatives and the lack of policy direction that is communicated to and understood by the public administration apparatus. At issue also is the lack of understanding of government policy direction in the shift from devolution to partnerships by OMIA and government ministries and agencies.

Funding for the outer islands has increased steadily by 2% over the period 2000/2003 from NZ Aid, Aust Aid, ADB and the EU, however, infrastructure projects have been constrained by limited capacity to formulate and implement plans. Concerns with infrastructure include inadequate planning, absence of an asset register and an operation and management plan and the urgent need to upgrade skills in island administrations. Skills training needs according to the national training needs assessment report include trades training, management skills, financial management and accounting skills, hospitality and tourism skills, traditional arts and crafts skills and skills for the pearl industry.

Challenges

Sustainable development in the outer islands is dependent on the ability of outer islanders to manage their own affairs, the development of suitable and viable business opportunities to create income generating opportunities and the provision of services that will allow those business ventures to grow and provide the people a reasonable quality of life.

Challenges to government include the development of policies that clearly define 'partnerships for empowerment' and the organizational roles and responsibilities of the various players involved in the delivery of those partnership initiatives. Crucial to this is OMIA and its relationship with other ministries and government agencies and the formulation of policies and development of plans for the implementation of projects. The development of a clear and precise policy framework will facilitate the formulation of new

local government legislations, which are needed to establish the scope and functions of island governments.

6.6 Culture

Cook Islands culture and customs is the core of Cook Islands identity. The preservation of intellectual property, protection of traditional knowledge and the promotion of the dynamics of Cook Islands culture are highlighted in the emphasis placed by the Cook Islands in the establishment of the National Auditorium facilities which house the national library, museum, archives and auditorium. The enactment of the Cook Islands Reo Maori Act in Parliament is a milestone in the recognition of Cook Islands Maori as the official language of the Cook Islands and the preservation and enhancement of Cook Islands culture and identity.

Work in progress include a Library Bill and Legal Deposit Bill to assist with the development of a comprehensive national collection of local publications and the collection, reproduction and repatriation of local artefacts and the Copyrights Bill awaiting passage through Parliament. The newly established Artist in Residence Program has been successful and resulted in an art renaissance in the Cook Islands.

Urgent outstanding work programs include the strengthening of the Culture and Historic Places Trust Board responsible for the preservation, renovation and restoration of cultural and historical sites and the recording of oral tradition as these have direct influences on land rights, traditional knowledge and custom. There is also a need to coordinate the relationship between the Ministry of Culture and the Office of the Prime Minister in the management and regulation of all researchers and research projects conducted in the Cook Islands.

Challenges

The preservation, maintenance and collection of 'all things' Cook Island Maori is important given the rapid changes occurring in the Cook Islands leaving the Ministry of Culture the challenge of developing strategies for the management and preservation of these national treasures. The emotional attachments to culture and land tenure system on which many of these national treasures are located require the development of a management plan that is inclusive of all stakeholders. Paramount to the development of a management plan for the preservation of national treasures must be the appreciation of the evolving nature of culture and the need to ensure that evolution is in the best interest of Cook Islanders rather than in the interest of economic gain.

VII. EMERGING CONCERNS AND SPECIAL NEEDS

There are several issues which are of concern to national authorities and the general public.

The transshipment of illicit drugs through the Cook Islands to major drug markets is a major concern due to limited capacity in our current border control and management systems and within our enforcement agencies to effectively address the problem. Concern with use of drugs by youths and students may indicate a problem not yet fully appraised by local authorities. The growing number of airports and ports traffics and limited capacity to effectively secure and monitor our borders increases the likelihood of illegal activities occurring as international criminals take advantage of our close relationship with New Zealand and Australia,

Our main industry, tourism has reached saturation point and further development cannot be sustained unless certain factors including infrastructural services particularly capacity issues have been addressed. The electricity supply and water infrastructure has almost reached their peak in capacities in sustaining current community demands and requires further systems upgrades and policy changes to deal with significant increases in the future.

Another infrastructure issue of concern are the risks for a total systems failure which needs to be assessed for their impact on the economy. One such example is the two national fuel depots on a single pumping line from the international shipping port area which are too accessible to the public and increases the risk of sabotage or accidental damage. Other examples include vulnerability of our single power generation station on Rarotonga as well as congestions at the Avatiu port.

Long term environmental damage to the lagoon ecosystem from unplanned development as well as increasing nutrient levels seeping into ground water lens and into the lagoon from septic tanks has alarmed local communities. Future disposal of whiteware rubbish as well as motor vehicle parts and bodies are major environmental concerns. The vulnerability of these small islands to impacts especially from tourism development, motor vehicles and community wastes needs to be continually monitored and managed.

VIII. THE WAY FORWARD

Cook Islands is committed to following a path of sustainable development that achieves for all Cook Islanders a better way of life, within stable communities while protecting the environment, specifically a path that works for all, today and tomorrow. Efforts to promote sustainable development in the Cook Islands include significant commitments to improve the lives of its people and to reverse activities that have led to the degradation of its environment.

The challenge includes the development of concrete commitments and actions with targets and timetables to spur action that will make a real difference for all Cook Islanders.

Political leaders and government need to understand that sustainable development rests on tangible partnership initiatives between the government, NGOs and the private sector and the additional resources and expertise these will bring to attain significant results where they matter in communities across the Cook Islands.

At the 2002 national sustainable development workshop, there was an overwhelming call and need to establish a National Development Planning Unit charged with the responsibility of developing a National Strategic Development Plan for the Cook Islands. This task is currently performed by a joint planning team between the Office of the Prime Minister and the Ministry of Finance and Economic Management. The development plan will provide government with a blue print that will overcome the fragmented manner in which development policies and strategies are currently prepared with focus and attention on priorities of needs rather than wants.

The workshop noted the need for 'political will' and commitment from political leaders to equitable and sustainable development. This includes ownership and commitment to the development of the National Strategic Development Plan for the Cook Islands. Equally important will be the contribution and commitment from NGOs and the private sector to the planning process.

The National Strategic Development Plan will reflect and reinforce linkages of economic and social activities to the environment, ensure full integration into the various sectors and ensure that synergies where apparent are widely promoted and supported by all stakeholders to maximise efforts to achieve sustainable development.

Mainstreaming of sustainable development, MDG, climate change and adaptation principles and concerns into national planning as part of the government process will include the setting up of prioritisation and selection criteria based on those principles and concerns.

The outcome of this report along with the National Strategic Development Plan will contribute to the coordination and development of projects for consideration under Pacific Islands Type 2 initiatives.