I. INTRODUCTION

1. The Cook Islands country programming mission (the mission)\(^1\) to discuss the country operations business plan (COBP) 2017-2019 took place on 8-12 August 2016. This memorandum of understanding (MOU) summarizes the discussions held. All agreements reached are subject to the review and approval of the higher authorities of the Asian Development Bank (ADB) and the Government of the Cook Islands (the government). A list of persons met is in Annex 1.

II. STRATEGIC PRIORITIES

2. ADB’s engagement in Cook Islands. Since joining ADB in 1976, 17 loan projects totaling US$77 million, 2 grant projects totaling US$8 million, and 37 technical assistance projects worth US$12 million have been provided to the Cook Islands.

3. Strategic focus. The Cook Islands country operations business plan (COBP), 2017–2019 is aligned with the interim Pacific Approach, 2015 as well as the forthcoming Pacific Approach, 2016–2020, which will be considered by the Asian Development Bank (ADB) Board of Directors in the third quarter of 2016. The COBP will focus on (i) increasing the contribution of renewable energy (ii) improving internet connectivity by escalating the efficiency of information and communications technology, (iii) strengthening resilience to natural disasters, and (iv) improving public sector effectiveness. The operational focus aligns with the strategic objectives of the National Sustainable Development Plan 2016-2020, with direct contribution to goals 5, 6 and 13.

4. Energy. ADB will support the government’s commitment to increase the share of energy supply from renewable sources to 50% by 2015 and 100% by 2020 by leveraging additional grant financing of US$4.1 million from the global environment facility in 2016 and implementing the ADB-financed Renewable Energy Sector Project together with government and Entura, an engineering firm providing support to the Office of the Energy Commissioner and Renewable Energy Development Division. ADB is also seen as a strategic partner in supporting the development of pipeline projects to access Green Climate Funds (GCF) as appropriate. ADB is currently developing a regional GCF grant funding proposal for renewable energy pipeline projects. Discussions are ongoing with the Office of the Prime Minister on proposals.

\(^1\) The mission comprised Beatrice Olsson, Country Officer, ADB Pacific Subregional Office and Charmaine Dolan, Administration Assistant, ADB Cook Islands Development Coordination Office. The mission findings were also informed by national consultations held with Vanessa Jenner, Coordination Liaison Officer, ADB Cook Islands Development Coordination Office and other recent missions relating to the ADB-supported submarine cable project and disaster response credit facility investments.
5. **Information and Communication Telecommunications.** ADB is working with government on a submarine cable project in 2016 due for ADB Board consideration in October 2016. The total cost of the project is estimated to be US$37.0 million, of which ADB will provide US$10 million lending from its ordinary capital resources (OCR). The Government of New Zealand will provide US$20 million parallel grant financing to the project and the private sector is expected to contribute through equity investment. The government is working with a task force of representatives from Niue, Tokelau, French Polynesia, and Samoa who have common interests in improving connectivity and are seeking an optimum cable system configuration for this purpose. There is potential for the Cook Islands–Samoa cable system to be extended to connect Niue and French Polynesia (at own cost). Such a regional approach will help the Cook Islands to achieve economies of scale and share operating costs.

6. **Disaster Resilience Management.** As part of a broader disaster risk management strategy, a development policy loan of US$10 million with a contingent credit line that provides immediate liquidity in the aftermath of a natural disaster is being developed for ADB Board consideration in November 2016. The proposed program will be drawn from ADB’s OCR, and denominated in the equivalent amount of NZ$. The loan will have a 15-year term, including a grace period of 3 years, with repayments calculated based on a disbursement-linked amortization schedule. The annual interest rate will be determined in accordance with ADB’s lending facility based on the London interbank-offered rate, and an annual commitment charge of 0.15%.

7. **Public Sector Management.** Improving public service efficiency is a key priority for government and government’s priorities are reflected in the government’s public sector strategy, 2016 – 2025. Government has indicated utilizing country TA allocations to support selected activities prioritized by the National Sustainable Development Commission which will meet and decide in September 2016. TA support is proposed for 2017 and 2018.

8. **Private Sector.** The Private Sector Development Initiative (PSDI) completed a private sector assessment in 2015 with a number of recommendations being presented in the report to government. ADB, through PSDI, is working with Cook Islands on company law and personal properties securities reforms and will stay engaged and explore opportunities in the financial (including banking) sectors over this COBP period. Work will be carried out to see what further support may be provided to progress the private sector assessment recommendations.

**III. INDICATIVE RESOURCES FOR 2016-2018**

9. **Resource envelope.** The Cook Islands is eligible to borrow from ADB’s market-based OCR lending. Indicative resources available during 2017–2019 amount to $24 million. Cofinancing and funding from other sources will be actively explored. The indicative technical assistance support averages $300,000 annually. The final country

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2 2015. ADB. *The Cook Islands: Stronger investment climate for sustainable growth.* Manila. Key recommendations from the assessment include strengthening public sector performance, improving business entry processes, improving the functioning of the financial system, strengthening the legislative framework for state-owned enterprises, and addressing competition related concerns.
allocations will be determined by the debt sustainability framework and ADB’s Graduation Policy.³

10. **Financing and leverage.** While Cook Islands have an allocation of $24 million in lending over COBP 2017-2019 period, the required financing of $20 million in 2016 for the proposed submarine cable and disaster policy program will require agreement with SPD to bring forward funds. Funding of $20 million will also be equivalent to approximately 10% of GDP, leaving limited room for additional borrowing. As noted, ADB will explore options to mobilize GCF grant resources for climate resilience investments.

11. **COBP Processing Schedule and Preparation Milestones.** The government and ADB have agreed on the following processing schedule for the finalization of the Cook Islands COBP 2017-2019:

<table>
<thead>
<tr>
<th>Processing Events</th>
<th>Estimated dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft COBP 2017 - 2019 for government review</td>
<td>2 September 2016</td>
</tr>
<tr>
<td>Government endorsement</td>
<td>12 September 2016</td>
</tr>
<tr>
<td>ADB Management approval</td>
<td>30 September 2016</td>
</tr>
</tbody>
</table>

**IV. ACKNOWLEDGEMENT**

12. ADB would like to express its appreciation and gratitude for the hospitality, cooperation, and the assistance extended to the mission by the Government of Cook Islands.

![Signature]

Signed on 6th September 2016

**Mr. Garth Henderson, Financial Secretary**  
Ministry of Finance and Economic Management  
Government of Cook Islands  
Rarotonga, Cook Islands

**Ms. Beatrice Olsson, Country**  
Coordination Officer, Pacific Subregional Office, For the Asian Development Bank  
Suva, Fiji

³ A Debt Sustainability Analysis undertaken by ADB in September 2015 finds the Cook Islands to be at low risk of external debt distress. Therefore, Cook Islands remains as a Group C regular OCR-only country; ADB. 1998. A Graduation Policy for the Bank’s DMC. Manila
# ANNEX 1

## LIST OF PEOPLE MET

| Ministry of Finance and Economic Management | Hon. Mark Brown, Minister for Finance  
|                                            | Garth Henderson, Financial Secretary  
|                                            | Lavinia Tama, Director Development Coordination Division  
|                                            | James Webb, Senior Economic Analyst  
|                                            | Russell Hynd, Manager, Treasury Division  
|                                            | Terry Piri, Funds Manager  
|                                            | Andrew Haigh, Manager, Revenue Division  
| Office of the Prime Minister               | Elizabeth Wright-Koteka, Chief of Staff  
|                                            | Ana Tiraa, Director Climate Change  
|                                            | Petero Okotai, Director of Central Policy and Planning Office  
|                                            | Mia Teaurima, Manager, SRIC-CC program  
|                                            | Katherine Dorofaeff, VSA Policy and Planning Adviser, Central Policy and Planning Office  
| Infrastructure Cook Islands                | Charlie Inggs, VSA Strategic Planner & Policy Adviser, Corporate Services  
|                                            | Joseph Akaruru, Engineering Technician, Planning & Design  
|                                            | Tangianau Taoro, Programme Administrator (WATSAN-Water and Sanitation)  
|                                            | Timoti Tangirauna, Urban Planner, Planning & Design  
| Cook Islands Investment Corporation        | Tamari Tutangata, Chief Executive Officer  
|                                            | Leigh Stephenson, Finance Manager  
|                                            | Vasie Polia, Properties Manager  
| Ministry of Transport                      | Ned Howard, Secretary  
| Red Cross                                  | Mata Hetland, Disaster Management Coordinator  
|                                            | Courtney Raita, Health Coordinator  
| Cook Island Tourism Board                  | Halatoa Fua, Chief Executive Officer  
|                                            | Metua Vaiimene, Director of Destination Development  
|                                            | Sieni Tiraa, Trade Coordinator  
| Te Aponga Uira (TAU), Power Utility        | Apii Timoti, Chief Executive Officer, Dallas Young, Commercial Manager  
| Chamber of Commerce (via email)            | Steven Lyon, Chairman  
|                                            | Lynne Samuel, Executive Director  
|                                            | Brian Baudinet, Board member  
| Business Trade and Investment Board        | Teariki Vakalalabure, Chief Executive Officer  
| NZ High Commission                         | Nick Hurley, New Zealand High Commissioner to the Cook Islands  
|                                            | Aimee Jepson, Deputy Commissioner  
|                                            | Joseph Mayhew, First Secretary Development/ New Zealand Aid Programme Manager  
| Emergency Management Cook Islands           | Charles Carlson, Director  
|                                            | Lydia Sip, Disaster Coordinator  
| Financial Services Commission              | Cheryl McCarthy, Deputy Commissioner  
| Civil Society and Non-for Profit organizations | Vaine Wichman, President, National Council of Woman, Lydia Sip and Tuaone Marsters, Cook Islands Civil Society Organisation Executives  
|                                            | Kelvin Passfield, Te Ipukarea Society, Jacqueline Evans, Marine Park Project Manager, Marae Moana, Boyd Ellison, Akairei Consulting Services  
| National Environment Service               | Joseph Brider, Director  

## INDICATIVE ASSISTANCE PIPELINE

Table A3.1: Lending Products, 2017–2019

<table>
<thead>
<tr>
<th>Project/Program Name</th>
<th>Sector</th>
<th>Poverty Targeting</th>
<th>Drivers of Change</th>
<th>Division</th>
<th>Year of PPTA/ PDA</th>
<th>Total</th>
<th>OCR</th>
<th>COL</th>
<th>ADF Grants</th>
<th>Total</th>
<th>Gov’t</th>
<th>Co-finance</th>
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</tbody>
</table>

*ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional OCR lending, Gov’t = government, MOL = market-based OCR lending, OCR = ordinary capital resources, PDA = project design advance, PPTA = project preparatory technical assistance.

* Reflecting the approved combination of ADF lending operations with the OCR balance sheet that will become effective on 1 January 2017.

Source: Asian Development Bank estimates.
<table>
<thead>
<tr>
<th>Assistance Name</th>
<th>Sector</th>
<th>Division</th>
<th>Assistance Type</th>
<th>ADB Source</th>
<th>Amount ($'000)</th>
<th>Others Source</th>
<th>Amount ($'000)</th>
<th>Total ($'000)</th>
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<td>SPSO</td>
<td>CDTA</td>
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</table>

ADB = Asian Development Bank; CDTA = capacity development technical assistance; ICT = information and communication technology; PAUS = Urban, Social Development, and Public Management Division; PPTA = project preparatory technical assistance; PSM = public sector management; SPSO = Pacific Subregional Office; TASF = Technical Assistance Special Fund.
## ASSISTANCE PROGRAM FOR THE CURRENT YEAR

### Table A4.1: Lending Products, 2016

<table>
<thead>
<tr>
<th>Project/Program Name</th>
<th>Sector</th>
<th>Poverty Targeting</th>
<th>Strategic Agendas and Drivers of Change</th>
<th>Year of PPTA/PDA</th>
<th>Cost ($ million)</th>
<th>Co-finance</th>
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<td><strong>ADB</strong></td>
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<td>IEG/PAR</td>
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<td>Renewable Energy Sector Project (GEF 6)-additional financing</td>
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**OVERALL TOTAL**

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<td>20.0</td>
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</table>

*ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional OCR lending, GI = general intervention, GEF = Global Environment Facility, Gov’t = government, ICT = Information and Communication Technology, IEG = inclusive economic growth, MOL = market-based OCR lending, NA = not applicable, OCR = ordinary capital resources, PAR = partnership, PAUS = urban, social development and public management division, PDA = project design advance, PPTA = project preparatory technical assistance, PSM = public sector management, SPSO = Pacific Subregional Office.

*Reflects the approved combination of ADF lending operations with the OCR balance sheet that will become effective on 1 January 2017.

*MFAT will provide $20.0 million grant cofinancing and private investor(s) will provide counterparty equity financing equivalent to $5.0 million

*The required financing of $20 million in 2016 for the proposed ICT and DRM projects will require agreement with SPD to bring forward funds.

*Cofinancing from Global Environment Facility/Strategic Climate Change Fund.

Source: Asian Development Bank estimates.
### Table A4.2: Nonlending Products and Services, 2016

<table>
<thead>
<tr>
<th>Assistance Name</th>
<th>Sector</th>
<th>Division</th>
<th>Assistance Type</th>
<th>Sources of Funding</th>
<th>Total ($'000)</th>
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<td>Others</td>
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</table>

**Notes:**
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- **CDTA** = capacity development technical assistance
- **PSM** = public sector management
- **SPSO** = Pacific Subregional Office
- **TASF** = Technical Assistance Special Fund

Source: Asian Development Bank estimates.