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Cook Islands

Public Investment Management Assessment

Lesley Fisher, Willie Du Preez, Iulai Lavea, Murray Petrie, Gemma Preston, Paul Seeds and Eivind Tandberg

Technical Report

May 2023

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
APD	Asia Pacific Region (as defined by the IMF)
AMDP	Asset Management Development Plan
BSG	Budget Support Group
CAPEX	Capital Expenditure
CAC	Central Agencies Committee
CIG	Cook Islands Government
CPI	Consumer Price Index
CIIC	Cook Islands Investment Corporation
CIGPPM	Cook Islands Government Policies and Procedures
CCCI	Climate Change Cook Islands
DRS	Disaster Resilience Strategy
DSA	Debt Sustainability Analysis
DP	Development Partners
EIA	Environmental Impact Assessment
FAD	Fiscal Affairs Department
FMIS	Financial Management Information System
GFCF	General Government Gross fixed capital formation
FRS	Fiscal Risk Statement
FY	Fiscal Year
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
INDC	Intended National Development Contribution
ICI	Infrastructure Cook Islands
IC	Infrastructure Committee
IMF	International Monetary Fund
LiDAR	Light Detection and Ranging

JNAP	Joint National Action Plan
LRF	Loan Repayment Fund
MFEM	Ministry of Finance and Economic Management
MTFF	Medium-Term Fiscal Framework
MTEC	Medium Term Expenditure Ceiling
MPPS	Major Projects and Procurement Support
MOU	Memorandum of Understanding
NCCP	National Climate Change Policy
NDC	Nationally Determined Contributions
NSDA	National Sustainable Development Agenda
NSDP	National Sustainable Development Plan
NIIP	Cook Islands National Infrastructure Investment Plan
NTRC	National Telecommunications Regulatory Commission
OECD	Organization for Economic Co-operation and Development
PC	Public Corporation
PFM	Public Financial Management
PIM	Public Investment Management
PIMA	Public Investment Management Assessment
PFTAC	Pacific financial and technical assistance center
PIC	Public Investment Corporation
PERCA	Public Expenditure Review Committee and Audit
PCC	Project Coordination Committee
PPP	Public-Private Partnership
RAM	Road Asset Management
REDD	Renewable Energy Development Division

SDG	Sustainable Development Goals
SCI	Statement of Corporate Intent
SNG	Subnational Government
SOE	State-owned enterprises
SIDS	Small Island Developing States
TVP	Tarai Vaka Process Overview
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank
WBS	Work Breakdown Structure

PREFACE

At the request of the authorities, a technical assistance mission from the Fiscal Affairs Department (FAD) visited Rarotonga during August 24–September 6, 2022. The mission was led by Ms. Lesley Fisher and comprised Ms. Gemma Preston, Mr. Eivind Tandberg (all FAD), Mr. Paul Seeds and Mr. Iulai Lavea, PFM Advisors at PFTAC, Mr. Murray Petrie and Mr. Willie Du Preez (IMF experts). The mission conducted a Public Investment Management Assessment (PIMA), and a Climate PIMA.

The mission met and held several discussions with Mr. Garth Henderson, Financial Secretary, Ministry of Finance and Economic Management (MFEM); Mr. Allan Jensen, CEO, Cook Islands Investment Corporation; Mr. Tamarii Tutangata, Secretary for the Ministry for Infrastructure Cook Islands ; Mr. Halatoa Fua, CEO, National Environment Services; Mr .Wayne King, Director of Climate Change (Office of the Prime Minister); Mr. Bim Tou, CEO, Ports Authority; Mr Nikau Tangaroa, CEO, Airport Authority; Mr. Anand Naidu, CFO, Air Rarotonga; Mr Phillip Henderson, CEO, Vodafone Cook Islands; and Lesley Katoa, CEO of Te Aponga Utility (electricity SOE).

The mission held meetings with the Mr. Kai Berlick (Acting Director for Budget and budget staff, Mr. Tristan Metcalfe (Senior Macroeconomist), Mr. Teu Teulilo (Director Accounting Department) and heads of units for major projects, public procurement, legal, economic and technical cooperation, and the Accountant General's office. It also met with senior officials of several ministries, departments and agencies, including ministries in charge of climate resilience, public infrastructure, health, and justice as well as Mr. Desmond Wildin from the Audit Office.

The mission benefited from discussions with various committees involved in coordinating public investment including the Tarai Vaka Process Committee, Budget Support Group and the Infrastructure Committee. The mission also met development partners resident in Cook Islands including the High Commissioner for New Zealand, Ms. Tui Dewes and the Ms. Lavinia Tama, Country Manager, Asian Development Bank (ADB).

At the end of the assessment, the mission briefed the Hon. Mark Brown, Prime Minister and Minister of Finance and Mr. Ben Ponia, chief of staff office of the Prime Minister on the PIMA findings. The mission would like to express its gratitude to the Cook Islands authorities for their cooperation and hospitality, and for facilitating open and constructive discussions. The mission is grateful for the tremendous support from Ms. Leilani Sadaraka for efficiently managing the meeting schedule and confirming meetings at short notice to facilitate the work of the team.

EXECUTIVE SUMMARY

The Cook Islands consists of 15 small islands spread over a land area of 240 kilometers and a population of 15,000 with New Zealand citizenship. The official currency is New Zealand dollars, which provides monetary and external financial stability, but also exposes the economy to external shocks. Despite its size and lack of economic diversity, the Cook Islands has graduated from Overseas Development Assistance to high income status. Prior to COVID, economic growth was increasing, and real GDP growth reached 5 percent, fueled by increased tourist arrivals from Australia and New Zealand. The authorities were in a strong fiscal position going into the pandemic, but the strict global lockdowns and lack of tourists caused the country's GDP to plummet 18.2 percent in 2020—the largest economic shock ever.

Key institutions relating to planning, appraisal, coordination of capital spending and monitoring of state-owned enterprises (SOEs) are generally well developed, but there is room for improvement in some areas. The National Infrastructure Investment Plan (NIIP) 2021/2023 includes 136 projects worth NZ$650 million over 10 years but there is no projection of the overall fiscal envelope to determine whether these plans are affordable or based on economic data and realistic fiscal projections. Coordination of public investment is largely performed by central agencies due to low capacity in the outer islands. Contingent liabilities from SOEs are quantified and disclosed as part of fiscal risk discussions in the budget document. The flagship Tara Vaka Process (TVP)[1] provides a rigorous and comprehensive process for appraising and selecting domestically and externally financed projects. The TVP—a framework consisting of various policies and guidelines—was made mandatory for all agencies from the 2021/22 budget process. Further work is required to improve the quality of concept notes across all agencies. SOEs' investment is coordinated by the Cook Island Investment Corporation (CIIC), which publishes consolidated financial statements for the seven SOEs. Infrastructure provision is dominated by public monopolies and there are currently no public private partnerships (PPPs) in operation.

Capital and recurrent budgets are integrated and presented for the medium term, which provide budget certainty but maintenance of public infrastructure is ad-hoc. There is little extrabudgetary spending for domestic and externally financed projects. Budget documents are transparent but do not provide total project costs. Agencies have certainty of funds for new and existing projects and there is no transfer of funds between capital and recurrent budgets. There is no standardized guidance on maintenance. Maintenance spending appears ad-hoc and not integrated into the project lifecycle.

A procurement policy and portal are in place but the reporting of and complaints process for major projects, and asset registers need reinforcement. Project monitoring and oversight require significant strengthening. Although the TVP requires project management, there are no

[1] The TVP is a home-grown, consolidated set of policies, guidelines and tools supporting PIM.

formal regulations or central oversight of projects. There are limited transfers between capital projects. Compliance with the financial procedures and policies manual on asset registers is insufficient. Most assets are recorded at historical values and their condition is not recorded in asset registers.

Climate change and natural hazards are already impacting the Cook Islands. Given the vulnerability to climate change, successive governments have developed a series of strategies and policies for climate adaptation as well as greenhouse gas mitigation and have attracted international climate finance. Resilient infrastructure will play a key role in adapting to climate change and mitigating GHG emissions. This is well recognized in government policies and strategies but is not yet fully integrated in project preparation, analysis, budgeting, and implementation. Further clarification and formalization of climate change aspects in public investment is a high priority.

Public investment plans have been consistent with climate change targets and policies, but there is some ambiguity around the renewable energy target. A new Building Code in 2019 introduced climate-resilience considerations into building standards, although regulations have yet to be promulgated. Although government policies strongly emphasize the need to integrate climate impacts within the national development agenda, this is not effectively operationalized in current regulations and guidelines. The government's commitment to a coordinated response to climate change is captured in planning documents, but not effectively operationalized in binding regulations or guidelines. Project appraisal and selection procedures do not require climate-related analysis. It is recognized that many investment projects have very significant climate impacts but there are no guidelines or templates for how such analysis could be conducted.

Some planned climate-related public investment expenditures are identified in the budget, including investment expenditures funded externally. No ex-post climate reviews or audits have been conducted but the TVP could facilitate this in future. Neither asset management policies nor maintenance methodologies address climate-related risks. Key climate-related risks to public infrastructure are identified in general terms in disaster risk plans with approaches to mitigate the risks. There is an annual contingency appropriation and additional ex ante financing mechanisms are in place to meet the costs of major disasters. The fiscal risk section in the published annual budget estimates includes a qualitative discussion of climate-related natural disasters.

IT systems and staff capacity need to be reviewed with a view to strengthening public investment outcomes. IT systems supporting public investment management are fragmented. A new system, the LiDAR aerial mapping system, is underway to provide geospatial mapping of all assets. Although staff numbers are thin, as many positions are vacant due to competitive salaries offered in New Zealand, government staff are experienced and competent. Government's planned capacity assessment through a functional review provides an ideal opportunity to reconsider staff capability and ensure that critical shortages for accountants, economists, engineers and project managers are addressed. The number of committees, and the roles and

responsibilities of those involved in investment decisions could usefully be reviewed to eliminate duplication of functions and free up staff time.

Table 2 and 3 summarize the results of this assessment, and more details on the individual institutions are provided in Sections III and IV of this report. Table 1 summarizes the key recommendations in the report and Annex 8 includes a detailed action plan for implementing these.

1. Overall, the Cook Islands' public investment institutions are well designed, but effectiveness remains a challenge. (refer to Figure 0 below).

Figure 0: Cook Islands PIMA scores

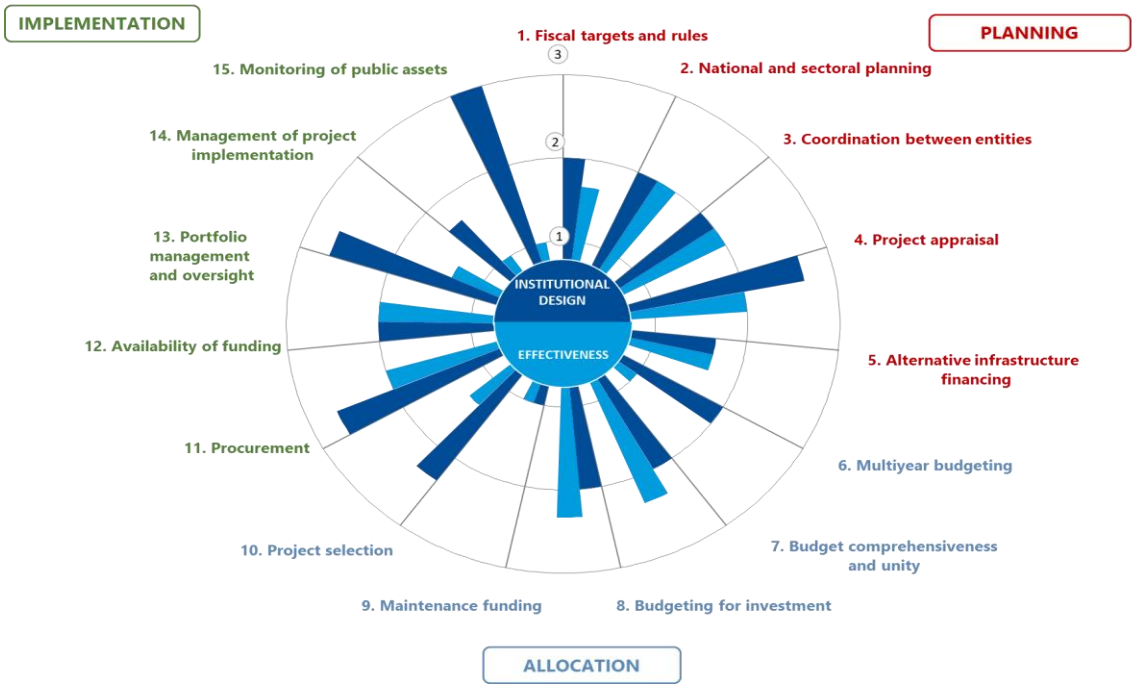


Table 1. Priority Reform Areas

#	High Priority Recommendations	Timeline	Responsibility
1.	Strengthen investment planning by specifying the outputs of each investment project and including project costs in national and sectoral investment plans by all agencies but particularly ICI and CIIC.	2022–2023	MFEM ICI, CIIC
2.	Formalize government policy on PPPs (which could include a policy that government will not use the PPP mode).	2022–2023	MFEM, CIIC
3.	• Consolidate, strengthen, and consistently enforce TVP. • Ensure that all projects are properly appraised, including climate analysis, prior to IC consideration • Require IC decisions to refer to TVP prioritization scheme • Develop additional TVP guidance, including on pre-feasibility and feasibility studies.	2022–2023	MFEM, IC
4.	Improve linkages between project performance reporting and budget allocation decisions.	2023–2024	MFEM
5.	Develop a standardized methodology for estimating current and capital maintenance needs, including climate vulnerability, to be used by agencies for inclusion in the budget.	2023–2024	MFEM
6.	Progress reports should include all details on physical and financial progress, including key dates and risks to better inform management decisions.	2022–2023	MFEM CIIC ICI
7.	Progressively complete inventory of assets including condition, hazard exposure and vulnerability to disasters and climate change.	2024 onwards	MFEM CIIC ICI
8.	Strengthen collaboration on systems development (FMIS, Unity, RAM) for data sharing, reconciliation and verification and complete rollout of systems.	2023–2024	MFEM CIIC ICI
9.	Fully integrate climate change considerations in all government policies, procedures, and processes, and reflect this in updated guidelines and regulations. (refer to recommendation 8 for details).	2022–2024	MFEM, CCCI, EMCI, NES, CIIC
10.	Use functional review to improve coordination, reduce duplication including number of committees, share data and strengthen capacity for public investment management.	2022–2023	All

Table 2. Cook Islands: Summary Assessment (PIMA)

Phase/Institution			Institutional Strength	Effectiveness	Reform priority
A. Planning	1	Fiscal targets and rules	**MEDIUM.** Net Debt target is designed to guide debt sustainability.	**MEDIUM.** Until the COVID-19 shock, debt levels were low and on a sustainable trajectory.	Low
	2	National and sectoral planning	**MEDIUM.** The legal framework provides for comprehensive planning of public investment, although there are gaps in costing and output specification.	**MEDIUM.** Planning and budgeting are well aligned but plans lack a financial constraint and output information.	Medium
	3	Coordination between entities	**MEDIUM.** Island councils have legal autonomy and funding for island capital spending is disclosed in budget estimates. There are no PPPs and the CIIC oversees SOE capital budgets	**MEDIUM**. In practice, agencies implement budgets on behalf of outer islands as they lack capacity. The fiscal risk section in the budget quantifies contingent liabilities**.**	Low
	4	Project appraisal	**HIGH.** The TVP provides a comprehensive framework for rigorous appraisal of domestically and externally financed projects, but methodologies are incomplete.	**MEDIUM.** The TVP was made mandatory for the 2021-22 budget process but is not yet fully effective. The quality of agency submissions varies significantly.	Medium
	5	Alternative infrastructure financing	**MEDIUM.** Government has a mandate to oversee the investment plans of public corporations but major infrastructure markets are unregulated monopolies.	**MEDIUM.** There is active SOE oversight but still very little competition in major infrastructure markets at this time.	Low
B. Allocation	6	Multi-year budgeting	**MEDIUM.** Multi-year forecasts of capital spending are prepared. Indicative global multi-year ceilings provide a starting point for prioritization. Total costs of projects are not published.	**LOW.** Medium term forecasts of capital spending and ceilings by ministry are significantly different to actual capital spending. Changes to total costs of projects are not published.	High
	7	Budget comprehensiveness and unity	**MEDIUM**. Most capital spending is approved through the budget process and shown in the budget documentation. Capital and recurrent budgets are presented together.	**MEDIUM.** Most capital spending, including CIG and externally financed, is undertaken through the budget process. There is consistent and consolidated presentation of capital and current spending.	Low
	8	Budgeting for investment	**MEDIUM.** The budget circular clarifies funding available for new projects. Information on total project costs is not included in the budget. Virement from capital to recurrent not allowed.	**MEDIUM**. In practice, capital spending is protected - no transfers to recurrent spending authorized. Information on total project outlays is not in the budget.	Low
	9	Maintenance funding	**LOW.** There is no documented methodology for calculating maintenance costs. Definitions of routine and capital maintenance in the Infrastructure Act 2019 unclear.	**LOW.** Budget estimates for routine maintenance are low or zero for some assets. Capital maintenance is not distinguished from new capital investment.	High
	10	Project selection	**MEDIUM.** The TVP provides a framework for review and prioritization of projects but is not binding for final project selection.	**LOW.** The TVP is still under development, and it has little impact on project selection so far.	High
C. Implementation	11	Procurement	**MEDIUM.** Procurement policies are open and transparent but there is no. complaints review process is in place**.**	**MEDIUM.** The majority of tenders are open and transparent and there is no database of procurement contracts or complaints yet	Medium
	12	Availability of funding	**MEDIUM.** The legal framework supports financing for capital spending being available in a timely manner.	**MEDIUM.** Agencies can plan and commit project funding with timely cash releases**.**	Low
	13	Portfolio management and oversight	**HIGH.** Major projects are not centrally monitored. Funds can be re-allocated between projects, ex-post reviews are required by TVP.	**LOW.** Physical progress not comprehensively monitored. Reallocation of funds not clearly documented.. Ex-post reviews not yet done.	High
	14	Management of project implementation	**MEDIUM.** Project management exists but implementation plans, performance and compliance audits are lacking. Project adjustment allowed, without review.	**LOW.** Agencies do not have project management arrangements. No evidence of cost adjustment. Limited external audit.	High
	15	Monitoring of public assets	**HIGH.** Comprehensive asset registers and depreciation of assets are required. Asset to be reflected in government accounts.	**LOW.** Asset registers are incomplete, lack credibility and depreciation of assets is not comprehensive.	High

Table 3. Summary Assessment (C-PIMA)

Phase/Institution			Institutional Strength	Reform priority
Climate PIMA	C1	Climate-aware planning	**MEDIUM.** Public investment plans are consistent with climate change targets and policies. Regulations and guidelines still need to be updated.	High
	C2	Coordination between entities	**MEDIUM.** Government is committed to a strong coordination of climate change, but regulations and guidelines need updating.	Medium
	C3	Project appraisal and selection	**LOW.** Project appraisal and selection procedures do not include climate-related analysis and criteria.	High
	C4	Budgeting and portfolio management	**LOW.** The Budget papers provide planned expenditure on climate change, resilience and energy. No ex-post reviews are conducted of environmental impacts and climate resilience is not systematically factored into asset management processes.	Medium
	C5	Risk management	**MEDIUM.** Disaster risk management is becoming more forward looking and includes identification of climate related risks and approaches to mitigation. Multiple financing mechanisms are in place to meet the costs of damage to infrastructure.	High

I. PUBLIC INVESTMENT TRENDS IN THE COOK ISLANDS

1. This section describes the evolution of public investment in the Cook Islands, compares it with that of other countries and assesses the relative efficiency of public infrastructure. The analysis provides the background for the evaluation of Public Investment Management (PIM) institutions in Sections II and III which identify specific measures that the government could take to improve the efficiency of public infrastructure. The main source of data for Section I is an annually updated IMF database[2] on public investment and the capital stock of member countries, but additional sources have been used. The main concepts examined are described in Box 1.

Box 1. Concepts and Definitions of Public Investment Management

Public investment is defined as general government gross fixed capital formation (GFCF) and comprises the total net value of general government acquisitions of fixed assets during each accounting period, plus variations in the valuation of non-produced assets (e.g., subsoil assets). The general government comprises central and subnational governments, but excludes other public entities, such as state-owned enterprises (SOEs), and public-private partnership (PPP) arrangements.

Public capital stock is the accumulated value of public investment over time, adjusted for depreciation (which varies by income group and over time), and is the principal input into the construction of public infrastructure.

Public infrastructure is the network of physical assets created by public investment. These fixed assets include both economic infrastructure (e.g., highways, airports, roads, railways, water and sewerage systems, public electric and gas utilities, pipelines, and telecommunications) and social infrastructure (e.g., public schools, hospitals, and prisons).

[2] IMF Investment and Capital Stock Dataset, 2021.

The performance of public investment depends on both its productivity and its efficiency:

- **Public Investment Productivity** is the relationship between investment and economic growth measured by the ratio of the average real rate of growth of the capital stock to the average real rate of economic growth (GDP).
- **Public Investment Efficiency** is the relationship between the value of the public capital stock and the measured coverage and quality of infrastructure assets.

The overall efficiency of public investment is measured by an indicator (Public Investment Efficiency Index-PIE-X), which is defined and discussed later in Section I.

Source: Making Public Investment More Efficient. International Monetary Fund, 2015.

A. Trends in Total Public Investment and Capital Stock

2. Domestically funded public investment budgets have increased from a low base over the past decade. Levels of investment have risen significantly in percentage of GDP terms from less than 2 percent in 2011 to nearly 8 percent in 2020, tailing off in 2021 with the advent of COVID (Figure 1). Since 2018 execution rates have consistently been at or above 70 percent (Figure 2), and government is continually seeking to increase utilization. Pre-COVID investment figures compare favorably against comparators for other Pacific Island Countries (PICs) and the Asia Pacific region (Figure 3). Total capital stock has fluctuated slightly over the past decade but reached a high of nearly 140 percent of GDP in 2021 (Figure 4).

Figure 1: Public Investment Past Decade

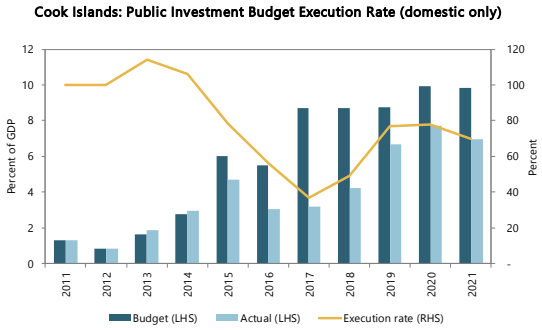


Figure 2. Investment Budget Utilization, 2016–2022

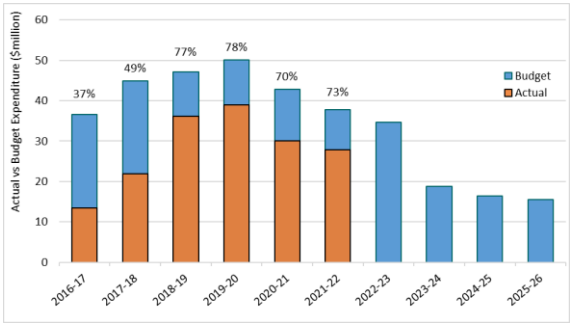


Figure 3. Investment 2019 percent of GDP

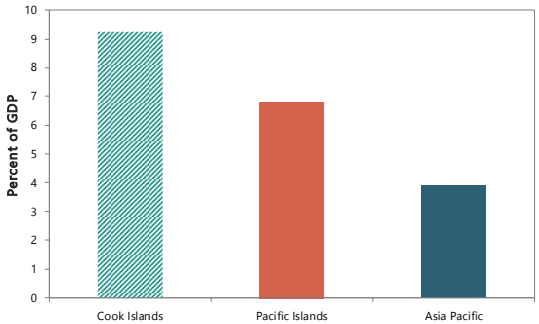
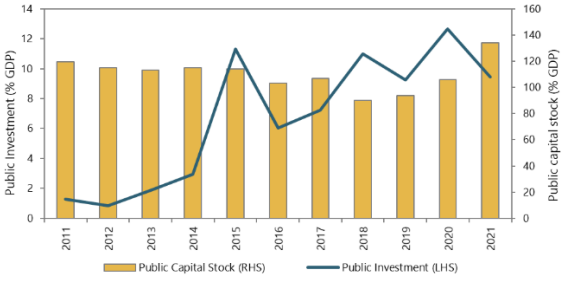


Figure 4. Capital Stock



Note: Public capital stock is estimated using a 2010 level of USD295 million (bases on replacement costs of public buildings and infrastructure from the Pacific Catastrophe Risk Assessment and Financing Initiative Database, public investment data provided by the authorities, and depreciation rates used in the IMF Investment and Capital Stock Database (ICSD).

3. Public Debt had been on a downward trajectory until COVID struck (Figure 5)—which provided an initial sound foundation for COVID response. This was made possible by solid economic growth (Figure 6) pre-COVID. The advent of COVID is reflected in a steep increase in public debt—which represents a global trend. The rising debt levels and squeezing of fiscal space brought about by COVID clearly impacts government's ability to fund new investment. Nevertheless, government remains committed to maintaining high levels of public investment.

Figure 5. Balance and Gross Debt (percent GDP)

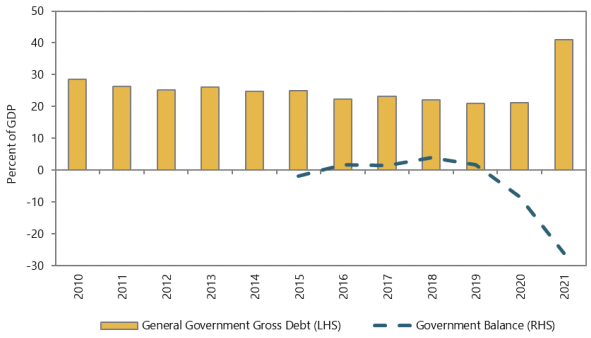
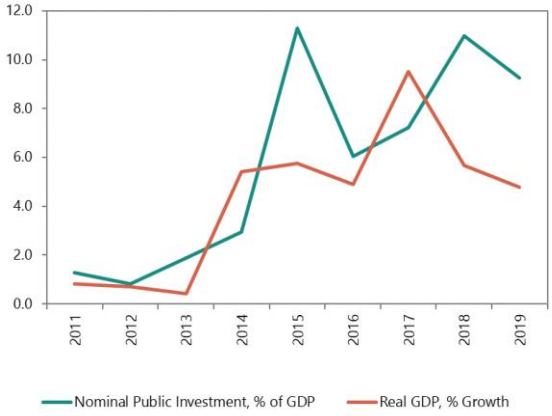


Figure 6. Growth and Investment



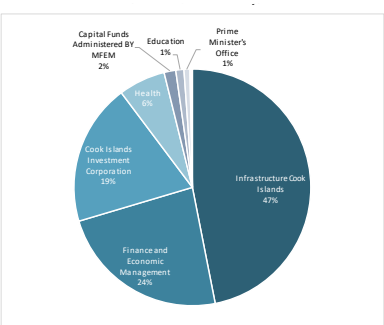
II. EFFICIENCY AND IMPACT OF PUBLIC INVESTMENT

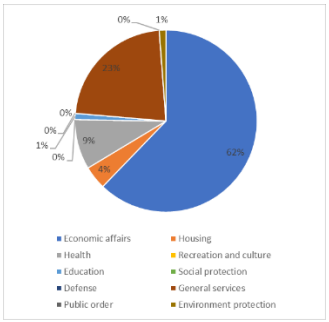
A. Composition of Public Investment

4. A significant proportion of domestically funded public investment is implemented by Infrastructure Cook Islands (ICI – a government agency) and Cook Islands Investment Corporation (CIIC – a statutory corporation). In 2021 nearly half of domestically funded public investment spending was on roads and related infrastructure through ICI, and nearly 20 percent through CIIC, with MFEM and the Ministry of Health the next largest spenders (Figure 7). The economic sector dominates the composition of investment spending, accounting for over 60 percent in 2021 (Figure 8).

Figure 7. Public Investment by Ministry, 2021

Figure 8. Public Investment by Sector, 2021

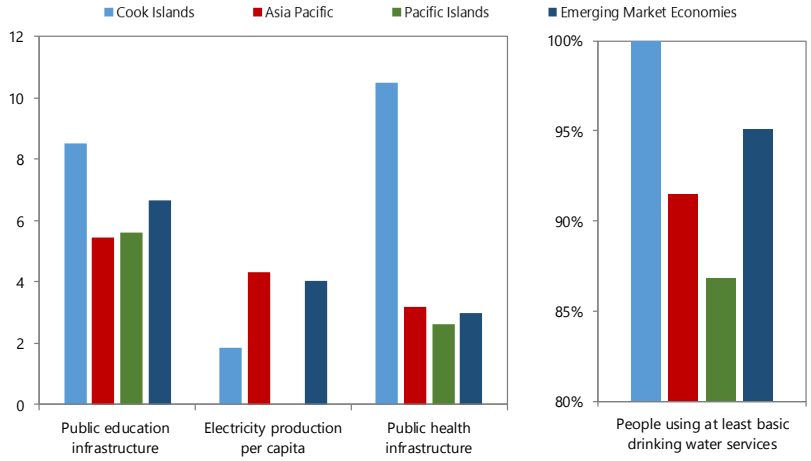




Note: Water services are included in economic affairs above, but the authorities classify it as housing spending.

5. Recent data suggest good access to infrastructure services compared to other countries in the region. These are most notable in public health, education, and access to safe drinking water (Figure 9 below). However, electricity production compares less favorably. The investment made through the Water Authority, Te Matou Vai (Our Water) has seen significant investment making a substantial impact with citizens of Rarotonga having access to potable water.

Figure 9. Measures of Service Access (most recent year)



Note: Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; Electricity production per capita as thousands of kWh per person; Roads per capita as km per 1,000 persons; and public health infrastructure as hospital beds per 1,000 persons. Right hand axis: Percentage of people using at least basic water services. This indicator encompasses both people using basic water services as well as those using safely managed water services.

6. The PIMA would normally include an assessment of the efficiency in public investment. This indicator is estimated for a country's performance based on an index of the output of public investment compared to its per capita public capital, or input. However, due to significant data challenges of annual capital expenditure and lack of consistent information on access and quality of infrastructure, we were unable to undertake this assessment in a way that would be comparable to other countries in the available data set.

III. PUBLIC INVESTMENT MANAGEMENT INSTITUTIONS

A. Public Investment Management Assessment Methodology

7. To carry out the assessment of PIM in Section III, two dimensions were assessed for each institution:

- *Institutional strength:* Assesses the formal design of the laws and regulations, business processes, systems, and managerial tools (such as guidelines and templates) that a country has adopted in the PIM area. It is based on the questionnaire presented in the IMF's 2018 Board Paper "*Public Investment Management Assessment – Review and Update*." This questionnaire comprises 15 institutions each with three dimensions. For each dimension, three possible scores are set (low, medium, and high). The scores of the three dimensions per institution are aggregated using simple averaging. The following color code was used:

	High	Medium	Low
Strength of the institution			

- *Effectiveness:* Assesses how well the institution is implemented in practice and whether it achieved the envisaged results. It is assessed using qualitative and quantitative information from a range of sources such as government reports and databases, assessments carried out by international organizations, and audit reports. The following color code was used:

	High	Medium	Low
Effectiveness of the institution			

B. Overview Assessment

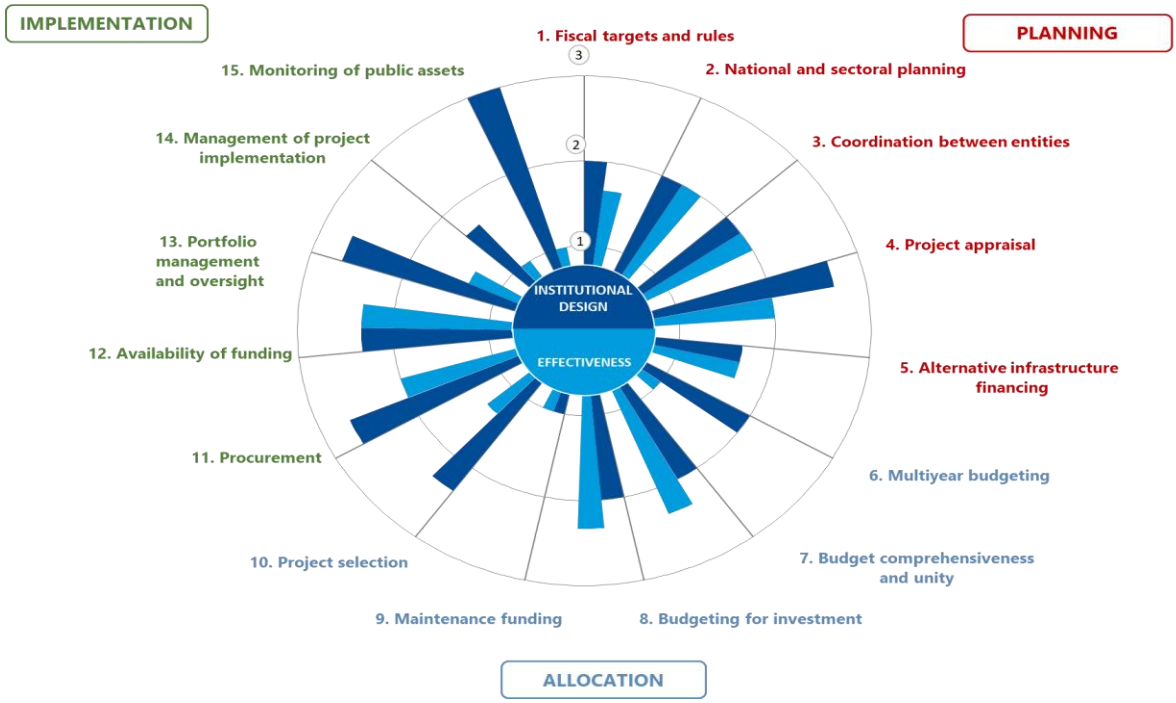
8. This section evaluates the strength and effectiveness of the 15 public investment management (PIM) institutions, according to the PIMA methodology (Figure 10). The institutions are divided into three phases of the PIM cycle: (i) ensuring sustainable levels of public investment through a sound planning process; (ii) allocating resources to the right sectors and projects; and (iii) implementing investment projects to deliver durable and productive assets. The following sections aim to assess the formal strength of each institution, based on the Cook Islands' prevailing laws, regulations, and guidelines, as well as each institution's effectiveness, based on a review of actual country practices, using the methodology outlined above. The assessment is based on interviews with key stakeholders, as well as an analysis of the data and documents gathered during the mission.

Figure 10. The PIMA Framework

Source: Public Investment Management Assessment: Review and Update, International Monetary Fund, 2018

9. Overall, the picture is mixed, but broadly speaking the Cook Islands public investment institutions perform better in terms of institutional design than in effectiveness (Figure 11). Fiscal targets and rules, project appraisal, project selection, procurement, portfolio management and monitoring of public assets reflect areas where institutions are strong. By contrast, institutions in the budgeting phase are not as well designed but are more effective.

Figure 11. Institutional Strength and Effectiveness of Public Investment Management Institutions in Cook Islands



10. Cook Islands PIM institutions are generally stronger in design and more effective in practice than Asia Pacific region and Small Island Developing States[3] (SIDS). As shown in Figures 12 and 13, institutions on fiscal rules and targets, coordination between entities, project appraisal, project selection, budget comprehensiveness, budgeting for investment, portfolio management and management of assets are relatively strong in design and effectiveness compared to Asia Pacific countries and SIDS except for alternative financing and maintenance. Scores for the Cook Islands are generally poor for the project implementation phase compared to planning and allocation phases, especially with regard to effectiveness.

Figure 12. Strength of PIM Institutions: Cross-Country Comparison

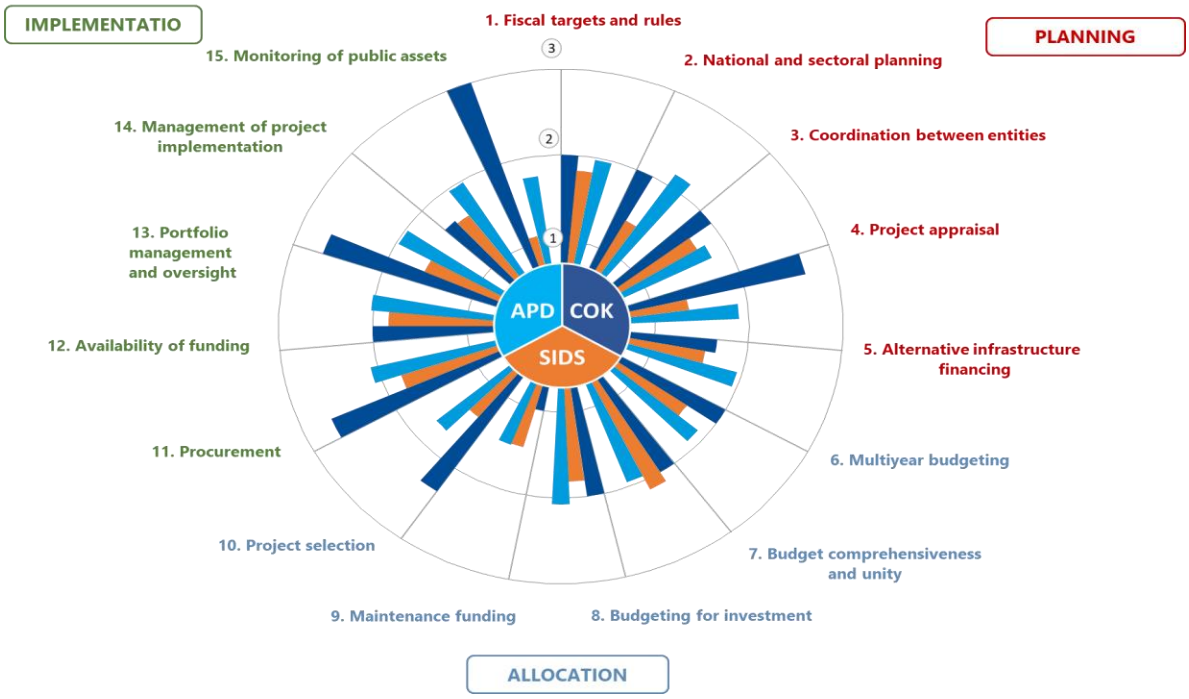
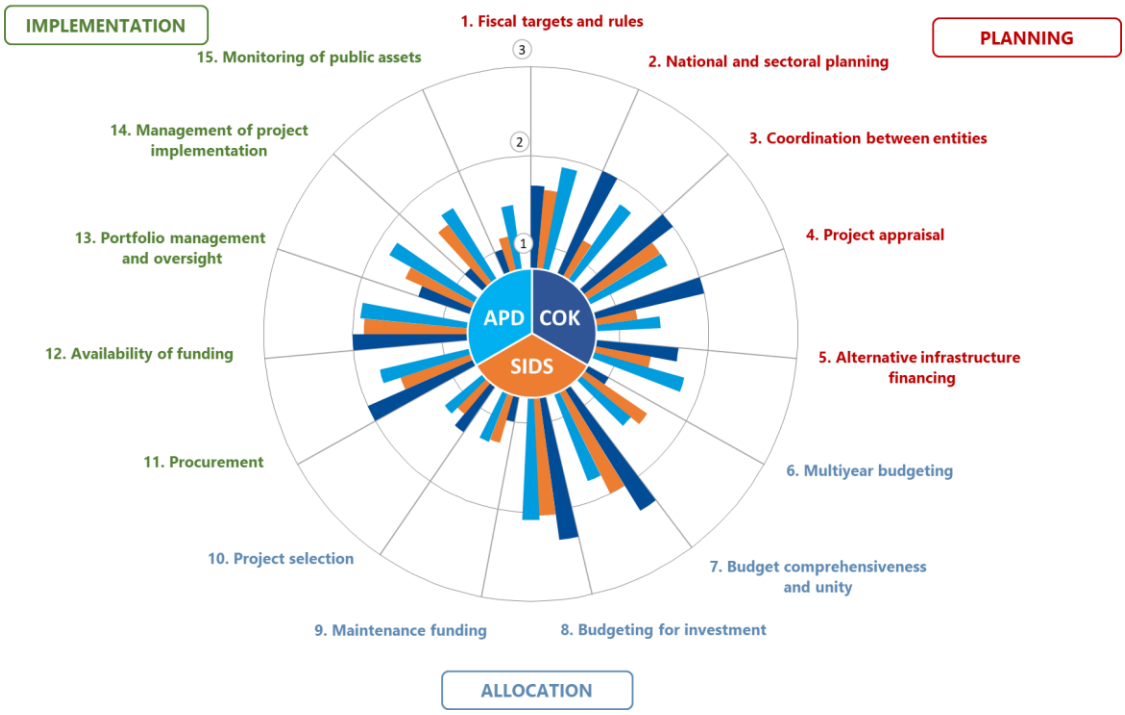


Figure 13. Effectiveness of PIM Institutions: Cross-Country Comparison

[3] [1] SIDS comparators includes Timor Leste, Maldives, Mauritius, Guyana, Kiribati, Belize, Anguilla, Haiti who have completed a PIMA.



C. Planning Sustainable Levels of Public Investment

1. Fiscal Targets and Rules (Institutional Strength: Medium Effectiveness: Medium Reform Priority: Low)

11. Successful public investment requires reliable and sustainable fiscal conditions over the medium and longer term. This institution assesses the extent to which fiscal rules and targets are in place both to keep public debt fiscally sustainable over the medium and long term as well as to ensure that annual and medium-term fiscal planning is consistent with public debt sustainability.

12. The fiscal targets[4] introduced in the 2019-20 Budget were structured around the net debt rule providing the fiscal anchor for fiscal sustainability. Although the authorities use the term fiscal rules, they are in fact fiscal targets or objectives because they are not legislated and have also changed frequently within a short period. The net debt target has broad coverage, including of SOE debt (see Figure 14). In response to the severe economic shock caused by COVID-19 the exit clause was activated. New fiscal targets were introduced in the 2022/23 Budget to reflect the changing needs of the economy and utilize debt funding to respond to the crisis (see Box 2). These new fiscal targets are in place as an interim measure and instead use the cash reserves to orient fiscal policy. This measure ensures that government can always pay its bills such as the wages of staff and has some buffer in place for unforeseen

[4] Although the Cook Islands refers to these as Fiscal rules in their budget documents, these are actually fiscal objectives as the rules in place are not binding in legislation (IMF definition of fiscal rules would require that they are).

circumstances. The Government commits to re-assessing the fiscal targets before the publication of the 2024/25 Budget Policy Statement (i.e., 2023/24 Half Year Economic and Fiscal Update (HYEFU)). Over the medium-term it is anticipated that the primacy of debt as the fiscal anchor will return once circumstances allow. The MTFF guides budget formulation but does not differentiate current and capital spending or identify the fiscal space for new investment projects.

Box 2. Summary of the Cook Islands Fiscal Rules (targets)

Fiscal Rules from 2019/20 Budget	Fiscal Rules from 2022/23 Budget
Fiscal Anchor - Net Debt Rule: net debt should not exceed a soft cap of 30 per cent of Gross Domestic Product (GDP), and cannot exceed a hard cap of 35 per cent of GDP.	**Fiscal Anchor: Cash Reserves Rule:** the equivalent of 3 months of operating expenditure must be held in liquid assets at any one time.
Operational Rules	**Operational Rules**
Fiscal Balance Rule: the fiscal balance cannot exceed a deficit of 1.9 per cent of nominal GDP.	**Net Debt Rule**: net debt should not exceed a soft cap of 55 per cent of GDP, and cannot exceed a hard cap of 65 per cent of GDP. The authorities have committed to reintroducing the net debt rule in 2023.
Expenditure Rule: budgeted expenditure cannot grow by more than 4 per cent year-on-year	**Investment Rule:** any additional borrowing above 55 per cent of GDP is for capital investment and/or targeted GDP stimulus measures only.
Cash Reserves Rule: the equivalent of 3 months of operating expenditure must be held in cash at any one time.	**Operating Balance Rule**: budgeted agency expenditure cannot grow by greater than 2 per cent or the average of the past two-year growth in the Consumer Price Index (CPI) year-on-year, whichever is greater.

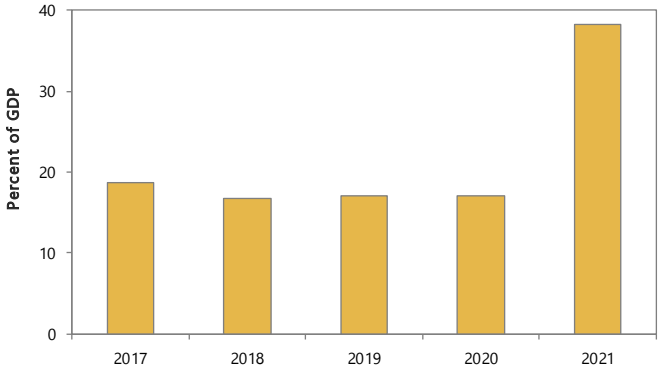
Source: Budget 2019/20 and 2022/23.

13. In practice, until the COVID-19 shock, CIG net debt levels were low and sustainable, due to careful planning and establishment of the stabilization fund to prepare for future shocks. The exit clause allows for a temporary departure from the fiscal targets to enable a government stimulus response to boost the economy. This was used appropriately in response to COVID. New fiscal targets are formally in place as of the 2022/23 Budget (introduced in May 2022). The MTFF acts to constrain the total approved budget, even though capital spending is not calculated. A reconciliation of proposed budget expenditure to the MTFF ceiling is prepared to provide a view of available fiscal space.

14. Reform priority in this area is low. Given the new fiscal targets have only been in place for three months, more time will be needed to demonstrate their effectiveness.

15. Alignment of projects to plans and strategies is important to ensure that agencies focus their efforts and capital investments in areas that have the greatest contribution to national development. Plans establish expected outcomes of future public investment, based on the identification of current gaps and trends that forecast future infrastructure needs and

Figure 14. CIG Net Debt Trajectory and the Net Debt Rule (% of GDP), 2017–2021



2. National and Sectoral Planning (Institutional Strength Medium: Effectiveness: Medium Reform Priority: Medium)

demands. Strategies outline how to achieve the expected outcomes by establishing a path to be followed by agencies when implementing project outlines in the national plan, informing project selection and prioritization. To be credible and effective, strategies and plans should be costed and reconciled within a realistic fiscal framework.

16. The planning of public investment is comprehensive in coverage, some plans contain costings, but lack details on project outputs and outcomes. The Cook Islands National Infrastructure Investment Plan (NIIP) 2021 outlines the priorities and plans for infrastructure over the period 2021-2031. The NIIP is a tool to implement the Government's National Vision and the National Sustainability Development Plan 2030. The NIIP covers all projects regardless of financing source, with financing variously from CIG, concessional borrowing, SOEs, and ODA grants (Box 3 contains further details). There are no PPPs in the Cook Islands. The NIIP contains preliminary cost estimates for all projects but without an overall financial constraint. The NIIP is supported by sector plans for Health, Education, and Agriculture, by cross-cutting plans and policies such as the 2nd Joint National Action Plan on Climate and Disaster Mitigation (JNAP-II) 2016–2020, the Climate Change Country Program 2018, the Renewable Energy Chart, and by agency corporate plans such as the ICI Strategic Plan and the CIIC Statement of Corporate Intent (SCI) 2020-2030. Aside from JNAP-II there is limited costing of individual public investment projects in these documents. The NIIP 2021 does not contain any details of program or project outputs i.e., the specification of the infrastructure to be delivered, such as miles of new road in a specific location built to a specified standard. There is no information on how the outputs are expected to contribute to improved outcomes e.g., road

safety or travel times. Nor do sector strategies, cross-cutting strategies and policies, or agency strategic plans contain details of the outputs of infrastructure projects.

17. In practice public investment planning is comprehensive in scope, but the costing of major investment projects and specification of measurable targets for outputs need to be strengthened. There is close alignment between the NIIP and the projects funded in the 2022/23 budget. This reflects in part the fact that many of the projects in the NIIP were already

Box 3. Cook Islands National Infrastructure Investment Plan 2021–2030[5]

The NIIP contains a 'long list' of 136 projects grouped into infrastructure programs according to sector, geographic location, and similarities or dependencies. The long list was then subjected to a prioritization process involving multi-criteria analysis (relative impact, relative cost and complexity) to yield a priority list of 38 programs.

Capital investment requirements for economic infrastructure were derived from projects ongoing or committed at the commencement of the plan period, high priority proposed projects of strategic importance which could be accommodated within the level of funding availability assumed for the NIIP, an allowance for smaller projects below the capital cost threshold set for the NIIP, and provision for any additional investments for climate-proofing.

The total (unconstrained) capital investment budget for all projects in the NIIP (2021) was:
Major Programs: NZ$ 447 million
Core Programs: NZ$ 165 million
Foundational Programs: NZ$ 75 million
10-year capital investment: NZ$ 687 million

Source: NIIP

under implementation and are ongoing. However, the effectiveness of planning is constrained by the lack of attention to defining infrastructure project outputs and to the costing of projects.

18. Strengthening the specification of the outputs of planned investment projects and their costing is a medium priority. Accurate specification of the outputs (including measurable performance indicators), and their costing would significantly strengthen the planning process and would flow through to improved appraisal, budgeting, and implementation.

3. Coordination Between Entities (Institutional Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

19. Coordination of public investment is important to ensure the priorities of all levels of government give effect to national strategic plans. Moreover, it is important to ensure adequate and predictable funding for lower levels of government through revenue raising

[5] https://theprif.org/document/cook-islands/national-infrastructure-investment-plans/cook-islands-national-0.

autonomy or intergovernmental transfers which are earmarked for capital spending and based on a clear and transparent formula. Transparent quantification and disclosure of contingent liabilities for subnational governments, public corporations and public-private partnerships are essential for coordination of capital spending.

20. The institutional design provides for coordination of capital budgets between central government and outer islands. Although the Island Government Act 2012-13 empowers the 15 island administrations to perform any functions and exercise any powers on behalf of the Crown, these functions are undertaken by the ICI and CIIC as the islands do not have the staff to execute or maintain capital projects. More than 90 percent of capital projects are operated by central agencies on behalf of islands based on their development plan drafted by the directorate responsible for outer islands, in the Prime Minister's office. In practice, there is limited ownership by the islands for these strategic plans.

21. The institutional design includes a funding formula for roads and runways, which is disclosed in budget estimates, but the allocation has not increased since COVID. The formula consists of several components including the population size of the island, kilometres of road, schedule of regular capital needs and length of the airport runway. In addition, small amounts are allocated to each island which they can use flexibly to fund small equipment purchases. The islands are required to use own source revenue to maintain the investments once completed, but their trading revenue is insufficient.

22. Intergovernmental coordination is not a concern in the Cook Islands and thus a low priority. There are limited contingent liabilities and they are transparently disclosed and quantified in budget documents. There are no PPPs in place and SOEs borrowing is governed by the Loan Repayment Fund (LRF) Act 2014. MFEM approves all SOE borrowing subject to a debt sustainability analysis required by the LRF and occasionally on-lends funds without a premium.

4. Project Appraisal (Institutional Strength: High; Effectiveness: Medium; Reform Priority Medium)

23. Project appraisal is critical to ensure that decision-makers have a comprehensive understanding of the benefits, costs, and risks of potential investment projects. Without this knowledge it is not possible to ensure that the best projects are prioritized within a limited resource envelope. A robust appraisal framework must ensure that all projects are subject to consistent and rigorous analysis, based on a common methodological framework, and that project risks are well defined and addressed.

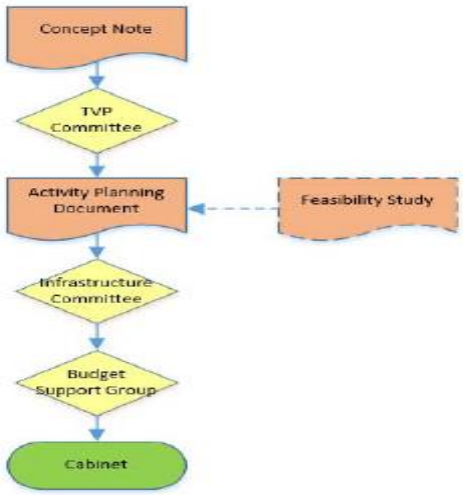
24. The TVP[6] provides a comprehensive framework for rigorous appraisal of domestically and externally financed projects, but TVP methodologies are incomplete. The TVP is mandatory for all projects above 50.000 NZD.[7] The TVP overview document includes links

[6] The TVP consolidates several policies and guidelines originally developed for the Cook Islands activity management in 2014. Previously referred to as TTV, it was retitled to Tarai Vaka Process (TVP) in November 2020.

[7] Cook Islands Activity Management System - Tarai Vaka Process Overview, MFEM 2020.

to detailed methodological guidance and several templates, including guidelines for value-for-money assessment, risk assessment, concept appraisal and activity planning. The TVP comprises three levels of project scrutiny, depending on the complexity, risks and impacts of the project (TVP light, TVP standard and TVP Plus).[8] TVP light projects can be approved on the basis of the concept note, TVP standard projects require an Activity Planning Document, and TVP Plus projects require an Activity Planning Document and a feasibility study. There are mechanisms in place to ensure independent technical review of projects.[9] The MFEM MPPS (Major Projects and Procurement Support) provides extensive central support to the process, including several training events, but some key guidance material is still under development, including guidelines for feasibility studies. Box 4 provides an overview of the TVP process, and a more detailed version is at Annex 3.

Box 4. Tarai Vaka Process



Source: TVP process overview

25. The TVP was made mandatory from the 2021/22 budget process, is not yet fully effective, and the quality of agency submissions is variable. So far, agencies have developed TVP concept notes for 37 projects. 6 of these needed major revisions and 10 required minor improvements. The major infrastructure agencies, in particular the ICI and the CIIC, generally provide good quality concept documents, but other agencies with fewer projects have found this

[8] TVP light, is intended for activities that are deemed low risk, are not complex or have limited (if any) environmental or social impacts. The standard TVP level which includes an activity planning document will apply to the majority of activities, whilst TVP Plus is intended for activities that require a heightened level of techn ical assistance, specialist input review and a feasibility study.

[9] Technical appraisers would normally be government staff who do not have conflicts of interest related to the activity. If specialist technical appraisal is needed, this may need to be outsourced and should be a consideration in the concept note indicative budget.

more difficult. The guidance on risk analysis and mitigation is fairly cursory and there is no specific guidance on climate-related analysis. The TVP is still work in progress.

26. Consolidation and further strengthening of the TVP appraisal process is a medium priority. It is important to strengthen the consistency and quality of the concept notes and other TVP documents over time. The TVP also provides important inputs to the project selection and implementation processes, as discussed under institutions 10, 13 and 14. The need for improved guidance on climate appraisal is discussed under institution C3.

5. Alternative Infrastructure Financing (Institutional Strength: Medium; Effectiveness: Medium, Reform Priority: Low)

27. This institution assesses the climate for the private sector, PPPs, and public corporations to finance economic infrastructure. First, the institution examines whether the regulatory framework supports competition in contestable markets so that responsibilities for some infrastructure can shift from the public sector to the private sector, thus relieving pressure on public finances. Second, it assesses whether there is an appropriate framework in place for public-private partnerships (PPPs). Finally, it assesses whether the government oversees the investment plans of state-owned enterprises.

28. The regulatory framework does not support competition in contestable markets, there is no PPP policy, but government oversees the investment plans of SOEs and monitors their performance. Public or private monopolies dominate the four major infrastructure services markets (telecommunications, electricity, water, as well as domestic air and maritime transport). A new Competition and Regulatory Authority was established in 2019 with an initial mandate to regulate the telecommunications industry but only one full service mobile operator is allowed during a transition period to mid-November 2023.[10] There is no policy or legal framework for PPPs and no projects are currently in operation or planned. The priority projects in the NIIP are not expected to lend themselves to possible PPP modalities.[11] The CIIC is a statutory corporation established under the Cook Islands Investment Corporation Act 1998 to oversee the performance of government's SOEs.[12] All statutory corporations are deemed to be subsidiaries of CIIC. The CIIC plays an active oversight role in the planning and implementation of SOE infrastructure investments and is required to approve the annual SCI of each SOE. The CIIC publishes an Annual Report containing the consolidated financial position and performance of the CIIC Group although the financial statements of the individual SOEs are not currently

[10] Work has been completed on calculating the cost of cross-subsidies to facilitate the introduction of competition. Depending on the definition of costs, the estimated net cost in 2019 of cross-subsidizing mobile services in the Pa Enua ranged from NZ$1m to NZ$4m. The latter is equivalent to 15 cents in every dollar of telecommunications revenue in Rarotonga plus Aitutaki. Annual report p22

[11] NIIP 2021, p. 35. In terms of private sector engagement, the government appropriates funds for an Airline Underwrite program to underwrite or subsidize direct flights to the Cook Islands for specified periods; and as part of the government's COVID-19 response an enhanced accelerated tax depreciation was introduced to encourage private sector investment in environmentally sustainable assets. Economic Development Strategy 2030, p. 91.

[12] It receives budget appropriations to conduct these non-commercial functions and can be considered part of the government sector in terms of the assessment of this indicator.

published.[13] There is detailed information published in the annual budget documents on the projects being implemented by SOEs financed by CIG (Chapter 9) and the cost of community service obligations imposed on SOEs is also published in the budget, some of which are funded by government.

29. The climate for private finance is not favorable in practice but the CIIC's oversight of the government's SOEs is effective. The CIIC actively oversees the seven SOEs. Prior to Covid the overall CIIC Group performance was profitable, and dividends were paid to government. The SCI 2022–26 projects a return to group profitability and payment of dividends from 2023. However, the lack of published financial statements of the individual SOEs reduces the ability to assess individual SOE and CIIC's oversight performance, and this is being addressed. On the other hand, the high visibility of SOE's community service obligations, and the fact that some of them are compensated by government, is positive. The CIIC is also represented on the IC and provides the secretariat to the IC and is therefore well placed to promote coordination between SOE infrastructure investments and government infrastructure investments.

30. A formal statement of government policy on PPPs would help to clarify this area of public investment but is low priority. A draft PPP policy was developed by CIIC in 2018 but further consideration was interrupted by the pandemic and may not be appropriate in the Cook Islands context. It would be preferable to either develop a PPP policy and framework or decide that government will not use the PPP mode of procurement.

D. Allocating Investments to the Right Sectors and Projects

6. Multi-Year Budgeting (Institutional Strength: Medium; Effectiveness: Low; Reform Priority: High)

31. Multi-year budgeting is important to ensure that resources required for capital spending is available across the medium term. Major public investment projects often take more than one year to implement, and spending is not evenly spread over the duration of the construction phase. This complicates capital budgeting. Multi-year ceilings by ministry provided at the beginning of the budget preparation process help agencies to prepare their capital bids within a financing constraint to support effective prioritization. Total cost estimates are necessary to ensure funding beyond the budget estimates and to assess the performance of major public investment projects.

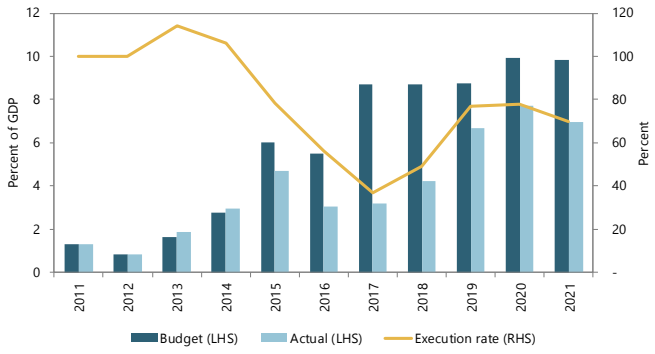
32. Estimates of capital spending are forecast and medium-term expenditure ceilings (MTEC) are prepared but estimates of total projects costs are not available. The budget documents contain forecasts of capital spending per agency/ministry over a four-year horizon. Indicative MTECs are prepared by agency over the four years of the budget estimates but

[13] See for instance CIIC Annual Report for the year ended 30 June 2020, https://www.ciic.gov.ck/wp-content/uploads/2021/06/CIIC-Group-Financial-Statements-30-June-2020.pdf

disseminated towards the end of the budget process, after projects are prioritized. There are no published estimates of total construction costs for individual major projects.

33. The effectiveness of capital spending forecasts and MTECs are currently limited. Actual capital spending varies considerably to forecasts as shown in Figure 15. There are indicative multiyear ceilings on capital expenditure by ministry and program - but these are only provided at the agency level in April, at the end of the budget process, therefore they do not provide a constraint to aid agency prioritization or help filter out capital budget bids. As such, all capital project proposals are considered by the IC. Only an aggregate MTEC is provided to agencies at the beginning of the budget process. Changes in total construction costs are not identified and explained because there are no published estimates of total construction costs.

Figure 15. Domestic Capital Budget Execution

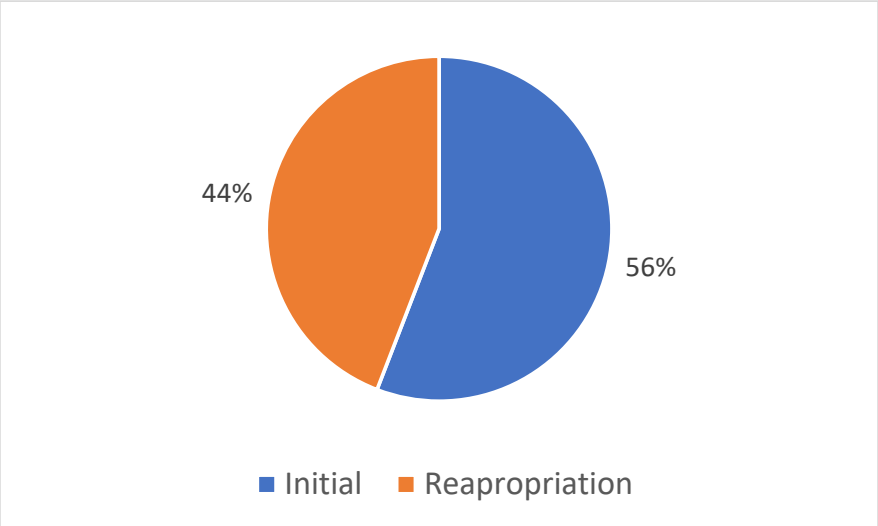


Source; IMF Staff

Source: Mission, 2022-23 Budget Estimates

34. Improving the effectiveness of capital budget forecasts is a high priority. Reform actions that would improve multi-year budgeting processes include strengthening the link between actual project outcomes and the budget estimates. Reappropriations comprise a significant share of the capital budget (Figure 16). Capital underspends roll forward into the budget year with the expectation that the baseline program of capital works can be delivered, in addition to the work that remains unfinished due to delays. Consistent underspending demonstrates that this is not the case. Drivers and implications of delays gathered from performance reporting information should be incorporated into allocations of capital funding, which may mean that some reprofiling of capital spending may be needed across the budget estimates period, not just into the next budget year.

Figure 166. Reappropriations as a Share of the Capital Budget



Source: Mission, 2022-23 Budget Estimates

35. There are several other measures that could improve multiyear capital budgeting. This includes providing agency disaggregated MTECs at the beginning of the budget process to better inform and guide agency project prioritization within a constraint, rather than leaving this prioritization task solely to the IC. In addition, as major projects are implemented over more than one year, the total cost of the project may not be identifiable across the four years of the budget estimates. In this case it can become challenging to identify financing needed beyond the budget estimates period. Importantly, it can also be difficult to identify changes to project budgets during project implementation, making cost overruns, for example, less transparent.

36. Capital budgets are presented on a program basis but there is a need to improve transparency as this is a high priority. MFEM already prepares an internal, more detailed breakdown, but it is not published. The disaggregated publication could incorporate spending on the project to date and spending forecast outside of the four-year period of the budget estimates. Changes to program and project budgets should also be presented in a summary table in the budget documents so that the reader can assess whether transfers change the total cost of the project or just the timing. Institution 14 discusses this issue further.

7. Budget Comprehensiveness and Unity (Institutional Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

37. All spending proposals should be evaluated together to allocate money most efficiently. This institution assesses to what extent the capital spending, and related recurrent spending, is undertaken through the budget process. To ensure comprehensiveness of public investment, projects should be selected from among all proposed projects, regardless of the status of the responsible entity or funding source. To ensure unity of public investment capital projects should be selected with a view of the related operating activities – as all completed infrastructure must be operated and maintained.

38. Almost all capital spending is required to be approved through the budget process and shown in the budget documentation. Capital and recurrent budgets are presented

together in the budget. Little capital spending is undertaken by extrabudgetary entities, as the operations of the eight statutory agencies listed in Table 4 are considered to be part of the budget, with each receiving direct appropriations. Government policies[14] require that capital projects go through the TVP process to obtain funding in the budget.

Table 4. Structure of the Cook Islands Public Sector

Public Service (14)	land Governments (10)	Crown Agencies (7)
Ministry of Agriculture (*Pae Angaanga Tanutanu*)	Aitutaki	Head of State Office
Ministry of Corrective Services (*Te Tango Akatanotano*)	Atiu	Office of the Ombudsman (*Te Mata Akamoeau*)
Ministry of Cultural Development (*Tauranga Vananga*)	Mangaia	Public Expenditure Review Committee and
Ministry of Education (*Maraurau o te Pae Apii*)	Manihiki	Cook Islands Audit Office
Ministry of Foreign Affairs and Immigration (*Te Kauana Tutara e te Mana Tiaki*)	Mauke	Cook Islands Police Service
	Mitiaro	Crown Law Office (*Te Akinanga o te Ture*)
Ministry of Finance and Economic Management (*Te Tango Akatere'anga Moni o te Ipukarea*)	Palmerston	Leader of the Opposition Office
	Penrhyn	Parliamentary Services
Ministry of Health (*Te Marae Ora*)	Pukapuka/Nassau	
Ministry of Justice (*Te Tango Tutara o te Ture*)	Rakahanga	
Ministry of Internal Affairs (*Te Tango 'Akarangatira Ora'anga*)		Ministerial Support Offices (6)
	Statutory Agencies (8)	
Infrastructure Cook Islands (*Te Tango Angaanga o te Kuki Airani*)	Business Trade and Investment	State Owned Enterprises (8)
	Cook Islands Investment Corporation*	Avaroa Cable Ltd.
Ministry of Marine Resources (*Tu'anga o te Pae Moana*)	Cook Islands Tourism Corporation	Bank of the Cook Islands
Ministry of Transport (*Te Mana Tumotu o te Kuki Airani*)	Financial Supervisory Commission	Cook Islands Airport Authority
Office of the Prime Minister (*Kōutu Mana Tutara o te Ipukarea*)	Financial Services Development Authority	Cook Islands Ports Authority
		Cook Islands Investment Corporation Seabed
Office of the Public Service Commissioner (*Paepae Ropi'anga o te Kavamani*)	National Environment Service (*Tu'anga Taporoporo*)	Resources Ltd.
		Te Aponga Uira o Tumutevarovaro
	Cook Islands Natural Heritage Trust (under National Environment Service)	Te Mana Uira o Araura
		To Tatou Vai
	Seabed Minerals Authority	
		* Includes the Punanga Nui Market

Source MFEM

39. Most capital spending, domestic and externally financed, is undertaken through the budget. There is consistent and consolidated presentation of capital and current spending. Capital spending is transparently presented in the budget documents, including that financed externally by donors. The Budget papers present a full picture of CIG capital spending by agency. Capital spending financed by overseas development assistance (ODA) is also presented, both in aggregate and by project, with the donor, project cost and project objective identified. Where ODA funding is yet to be allocated to specific projects, a list of proposed projects is published. Capital projects implemented by SOEs are included in the budget, to the extent they are funded by the government or by donors. Capital and recurrent budgets are presented together in the budget documents. Maintenance spending is not included in the budget.

40. Reform priority is low. To maintain this level of transparency, consideration should be given to formalizing these requirements further in policy or legislation.

[14] The CIGFPPM requires any capital spending greater than NZ $5,000 to be approved by the Cabinet. In addition, TVP policies specifies that the TVP should be applied to all government funded and ODA activities managed by the Cook Islands Government. The application of TVP becomes mandatory from a threshold of NZ$50,000 for the whole-of-life cost of an activity.

8. Budgeting for Investment (Institutional Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

41. This institution focuses on budget and commitment procedures that can ensure that funds are available when needed over the multiyear construction cycle of major projects. Within the annual budget, pressure may arise to shift budget authorization to spend from capital to recurrent budgets, limiting some project funding. Strong rules are necessary to avoid this situation, including approval from the legislature. Also, over the medium term, funding may not be made available to complete a project on time. This might happen because total funding requirements were not well understood when the project was first approved, or approval of new projects may cause reductions in funding for projects already started.

42. Institutions are broadly designed to protect funding for investment projects during budget implementation. The MFEM Act does not provide for transfers of appropriations between capital and recurrent spending and CIG financial policies and procedures specify they are not permissible. Transfers of funding between capital projects is permissible but requires the approval of the Financial Secretary and the Minister. The Budget Circular calls for capital submissions while emphasizing there is limited funding available for new projects and that existing projects will be prioritized. However, the CIG operates under an annual appropriation framework and project outlays are appropriated as such, rather than over a multi-year period. Total project costs are not included in the budget documentation.

43. In practice, institutions are reasonably effective at ensuring funding is allocated to projects during implementation. Even with the annual appropriation framework, the medium-term budget framework helps to provide visibility of funding needs for committed investments in baseline budgets. However, information on total project costs is not included in the budget documentation, so for very large projects and projects beyond the budget estimates, publishing total project costs is important to ensure comprehensive funding needs are considered. No transfers from capital to current expenditure have occurred. Transfers of funding between capital projects do occur. In part this is appropriate as most capital is managed at the agency level on a program basis and approvals are required. However, increased transparency of budget transfers between projects within programs, will help to ensure funding is available. A table of budget movements at the project level should be published in the budget documentation.

44. While reform priority for this specific institution is low, increasing transparency of total project costs and budget transfers between projects would be beneficial. Both reforms have been mentioned above under dimension 6.

9. Maintenance funding (Institutional Strength: Low; Effectiveness: Low; Reform Priority: High)

45. Routine maintenance is important for ensuring a prolonged effective life of government assets. Neglected routine maintenance invariably leads to increased costs of ownership and reduction in economic and social returns on investment. Typically, routine

maintenance needs can amount to 2-3 percent of replacement cost or more.[15] For maintenance allocations to be effective they should be based on the stock of investment, its replacement cost. age and condition. Periodic and capital maintenance should be scheduled and documented to justify the budget submissions. Capital maintenance should be presented separately from new investment spending in the budget.

46. There is no documented methodology for determining routine and capital maintenance budget allocations. Budget allocations for routine maintenance appear ad-hoc and for capital maintenance reactive to circumstances where assets have fallen into disrepair rather than through a planned life-cycle schedule. Routine maintenance and capital maintenance are not well distinguished in the Budget Estimates. Routine maintenance on roads and other infrastructure is undertaken using the allocation under "Capital." Furthermore, "Capital" includes capital maintenance (renovation and overhaul) as well as upgrades and new investment spending. The Infrastructure Act 2019 defines maintenance but does not distinguish between routine and capital maintenance, although the CIGPPM does make the distinction for routine maintenance. Maintenance allocations are hampered by lack of reliable information on cost and replacement values of the investment stock. The consolidated annual financial statements have been disclaimed based on values of nonfinancial assets, and although the Asset Management Development Plan (AMDP) has some replacement values, these are not comprehensive and are dated (undertaken in 2012). Asset Management Systems are being implemented in ICI and CIIC, as well as the Asset Management Module of the FMIS (see Cross Cutting Issues in Section V) which should facilitate improved planning and implementation of maintenance over time.

47. Budget allocations are very low for routine maintenance, and it is difficult to determine the budget specifically for capital maintenance. Under administered payments allocations have been prioritized for "bridges and stream structures" NZ$700,000 , and NZ$400,000 for "Vaka Maintenance" (cleaning public road networks) but no allocation has been made in 2022/23 for buildings (NZ$1 million has been projected in outer years in the budget). Capital Schedule 6 to the Budget lists a number of capital projects, many of which are referred to as "improvement programs" – it is it is not possible to distinguish between capital maintenance and upgrades/new capital investment. In the absence of standard methodologies, there is no transparent analysis of data for determining the appropriate levels of maintenance required.

48. Completing the development and rollout of the Asset Management IT systems should be a high reform priority. These systems will provide the necessary data for analysis and decision making on maintenance as well as strengthening asset management more broadly. Ultimately, the systems will provide more robust asset registers including asset condition, age, life-cycle costs, and replacement cost. This will facilitate the development of standard methodologies for determining and scheduling routine and capital maintenance.

10. Project Selection (Institutional Strength: Medium; Effectiveness: Low; Reform Priority: High)

[15] PIMA Handbook 2022.

49. The project selection process is key to ensuring that the best investment projects are selected for implementation. If project selection is based on ad-hoc methods, the total net benefits of the government investment portfolio will be lower than they could have been, with negative impacts on economic and social development. The project selection process should include a central review of project proposals to ensure consistent analysis, build a pipeline of effective and efficient project options, and define transparent criteria for project selection.

50. The TVP provides a framework for review and prioritization of projects, but this is not binding for final project selection. According to the guidelines, the TVP Committee reviews all projects above 50.000 NZD, including externally funded projects. The TVP provides a clear, standardized and transparent framework for project selection according to six criteria (feasibility, benefits, costs, risks, implementation and sustainability), with detailed scoring guidelines. However, this prioritization is not binding for the project selection by the IC. The TVP defines a pipeline for funding consideration, but there are no rules to ensure that projects are not selected outside the pipeline.

51. The TVP is still under development, and it has had limited impact on project selection so far.[16] The central review process is still limited, the TVP committee does not review all concept notes and concept notes that are rejected are still forwarded to the IC. The IC therefore considers projects that have not been properly appraised or that have been rejected at the concept stage, as well as the ones that have been supported by the TVP committee. There are no explicit references to the TVP prioritization process in the IC decisions.

52. Consistent and transparent project selection is critical for the credibility of the TVP and the IC, and improvement in this area is a high priority. If there is a perception that project approvals are based on ad hoc decisions without referring to the TVP, the incentives for project entities to carry out rigorous appraisal will be seriously undermined. Improvements in this regard will have strong positive impacts on the overall quality of the government investment portfolio.

E. Delivering Productive and Durable Public Assets

11. Procurement (Institutional Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

53. For public procurement the goals of fairness, competition and economic values are paramount. Procurement processes should be open and transparent, monitored regularly and complaints process should be fair and responded to in a timely manner.

54. The procurement system as defined is decentralized, open and transparent. The procurement policy requires open and transparent tender processes within specific limits and

[16] The mission reviewed concept notes for replacement of the audio system in the national auditorium and renewable energy battery replacements for the northern islands.

sets out the penalties for fraudulent practices**.** [17] MPPS has a procurement database and complaints are dealt with by an independent Procurement Ombudsman within a fixed timeframe. Tendering methods include open tendering, closed tendering and tendering by negotiations. A procurement portal is in place, all bids are published in time, with information available on the websites of the ICI and CIIC and publication of all tender results. The Ombudsman must keep a Complaints register and publish the outcomes of complaints. The MPPS procurement database contains the information as set out below in Table 5 and Box 5.

Box 5. Information Available on the Procurement Portal

Information available on the procurement portal

- New templates
- Current tenders
- Closed tenders
- Awarded tenders
- Asset sales
- Supplier registration

Source: Cook Islands Procurement Portal.

Table 5. Procurement Data (August 2022)

Tenders	
Total Number of Tenders	18
Tender threshold	NZ$60, 000
Total Number of Open Tenders	14
Total Number of Closed Tenders	4
Total Number of Tenders Completed	12
Total Number of Tenders Withdrawn	4
Total Number of Tenders in Progress	2
Total Amount of Tenders approved	NZ$ 9,542, 217

Source: Cook Islands MPPS.

55. The procurement system is maturing, and the complaints process is yet to be implemented. Since future implementation will shift to more major projects, it will be important to compile detailed implementation strategies. Government does not publish or generate analytical reports from the database. Instead, the database is used for internal record keeping. Since no formal complaints have been received, it is not possible to determine the effectiveness of the complaints process.

56. Reforms to address procurement constraints are a medium reform priority. Annual analysis of and reporting on procurement data is important to identify procurement trends and fraud.

[17] Purchase and Sales of Goods and Services Policy: 4 October 2016.

12. Availability of Funding (Institutional Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

57. To implement public investment projects efficiently, ministries and agencies must have certainty that funds will be made available for contractors to complete projects as planned. This institution assesses whether ministries and agencies are able to plan and commit expenditure on capital projects on the basis of reliable cash flow forecasts. The evaluation also considers whether cash is released in a timely manner, and whether donor funding of capital projects is fully integrated into the Treasury Single Account.

58. The legal framework supports financing for capital spending being available in a timely manner. Agencies receive their annual budget appropriations in full at the start of the budget year and are therefore able to spend and commit against appropriations without in-year constraints. Agencies prepare an annual cash plan with a monthly profile. Some update their forecasts monthly while others do so on an ad hoc basis during the year**.** The Treasury cashflow forecast is revised monthly throughout the year to reflect changes to plans and timing of activities. Cash for project outlays is released in a timely manner based on the appropriation. After the onset of the COVID pandemic the Cash Management Committee developed a strategy for FY22 which placed a high priority on government being able to meet its cash commitments, as described in Box 6. External financing of public investment projects is held at commercial banks and the government has limited information on the balances or flows. The Treasury Single Account underpins the FMIS but is not fully operational. MFEM (DCD) receives quarterly reporting of donor payments and cash flows, so Treasury has access to some information on donor payments.

Box 6. The Cash Management Strategy FY22

The Cash Management Committee comprises representatives from MFEM, the ADB, and NZ MFAT. For FY22 the Committee set a target of maintaining a general level of cash reserves above NZ$20 million (equivalent to one month of operations) to ensure cash availability for priority government spending including infrastructure projects.

A monthly profile of cash forecasts was prepared and actively monitored, reforecast and re-profiled throughout FY22. The Committee reviewed the level of internal unencumbered cash reserves and external contingency financing such as the ADB precautionary financing facility (linked to cumulative monthly visitor arrivals). Three scenarios were developed to analyze liquidity risk. The scenarios involved border closures of varying duration and assessed the impacts on the government's cash reserves and adherence to the targeted minimum level of cash reserves. Mitigating actions were identified should the need arise such as drawing on internal and external contingency financing and pausing bulk funding to identify budget items that can be paid on invoices.

Source: Auhorities.

59. In practice agencies are able to plan and commit project spending with timely cash releases from the Treasury. Cash constraints are not a factor impeding project implementation. Donor funding of projects has not been subject to delays in releasing cash. However, agency cash forecasts are highly inaccurate, with spending being of the order of 60 percent of forecast, mainly attributable to under-spending on capital projects. The Treasury's aggregate cash forecast for FY22 was similarly under-spent by around 40 percent

60. Efforts should be made to improve the accuracy of cash forecasts, but this is a low priority. More accurate forecasts would contribute to the Treasury's ability to manage the government's cash position. From a public investment management perspective, however, this is a low priority because current arrangements provide a high degree of certainty that funds are available to implement capital projects.

13. Portfolio Management and Oversight (Institutional Strength: High, Effectiveness: Low; Reform Priority: High)

61. Portfolio management of all major projects is of utmost importance to identify projects with high risks. Through this process, governments can collect and analyze data, and determine if projects and programs are on time, within budget and if there are serious risks that require high level intervention. Systematic portfolio management also comprises optimizing available funds by assigning them to the best performing projects. The first dimension assesses if the major project portfolio is monitored during implementation. The second dimension assesses if funds can be re-allocated between projects during implementation and the third dimension assesses if ex-post reviews are conducted.

62. Portfolio oversight is required for the major projects during implementation. Re-allocation of funds between projects is done during the implementation stage and is monitored. The TVP requires monitoring of projects by the Implementing Agency, MFEM as well as the Infrastructure Committee but oversight is mainly reported in relation to financial status of the projects. Quarterly monitoring reports are issued to the PCC, see Box 7. The re-allocation of funds between projects is defined in the Budget Book as well as by the MFEM Act, requires approval by MoF and inclusion in the next Appropriation Bill.[18] Ex-post reviews are required and described in the TVP. Ex-post reviews are to be conducted by an independent evaluator and lessons learned should be shared throughout government for future projects. Evaluations of high value and high-risk activities are required to be governed by a steering group and chaired by an activity governance committee representative.

63. There is no central oversight of major projects.. Physical progress compared to programmed progress, and contractual cash flow is not reported. No example of a re-allocation

Box 7. Quarterly Monitoring Report Contents

[18] Ministry of Finance and Economic Management (MFME) Act, 1995.

Quarterly monitoring report contents:

- Name and classification of project
- Implementing agency Name of project manager/ consultant
- Project stage by quarter
- Completion rate
- Overall budget
- Remaining balance
- Current budget
- Expected funding requirements
- Committed expenditure
- Expenditure to date
- Remaining budget balance Expected cost to complete

Source: PEFA August 2021.

process could be observed, and the effectiveness could therefore not be evaluated. Re-allocation of funds are only conducted two times per year. Ex-post reviews are a recent requirement, and the effectiveness could not be evaluated.

64. Improvements in the portfolio monitoring process is a high priority reform. A detailed summary table of critical information is required to enable management to intervene in critical major projects and resolve issues which may contribute to delays and additional cost.

14. Management of Project Implementation (Institutional Strength: Medium; Effectiveness: Low; Reform Priority: High)

65. During the implementation stage the management of time, money and quality is of utmost importance. It is important to draft the scope and goals at the start of the project. It is also important to communicate roles, expectations, and objectives to finalize the project. The first dimension assesses project management arrangements. The second dimension assesses rules for project cost adjustment and the third dimension assesses ex-post audits of major projects.

66. There are project management arrangements in place and project adjustments are applied during the implementation stage. The TVP requires monitoring by implementing agencies—both ICI and CIIC have project management arrangements in place but there is a shortage of skilled project managers, contract engineers and civil engineers to monitor effectively. A Memorandum of Understanding between CIIC and agencies governs the arrangements for cooperation during implementation. The Financial Policies Manual requires a maximum of 15 percent of the original contract amount be allowed for project adjustment.[19] Cost adjustment motivation must be approved by the tender committee who may require re-

[19] Financial Policies and Procedures Manual dated April 2020.

tendering for the balance of the work. Some major projects receive external financial audits only. External Audits are presented to Parliament, with no consequences for non-compliant agencies.

67. Project monitoring needs strengthening No fundamental review is required during project cost adjustment. There is no requirement for implementation plans prior to budget approval. Box 8 provides an example of a Project implementation Plan. No project adjustment document could be observed and therefore the effectiveness could not be evaluated. Table 6 summarizes the cost and time overruns of ICI and CIIC.

Box 8. Typical Elements of a Project Implementation Plan

The Project Implementation Plan is a document which sets the key arrangements for the implementation of an investment project, to be then managed and monitored during the implementation stage. It should contain the following elements:

- Description of Project Management Approach
- Scope statement
- Work breakdown structure (WBS)
- Cost estimates, scheduled start dates and responsibility assignments
- Performance measures baselines for schedules and cost
- Major milestones and target dates for each milestone
- Change management procedures
- Key staff required
- Key risks

Source: Mission.

Table 6. Time and Cost Overrun Figures for ICI a CIIC

Implementing agency	Percentage projects with time overrun	Percentage projects with cost overrun	Reasons for overruns
ICI	75	80	Scope changes during implementation
CIIC	10	10	Contractor availability or Supply Chain issues
ICI completed 15 projects during the past 5 year and CIIC completed 20 to 30 projects every year.			
ICI is responsible for spending 47 percent of CAPEX and therefore it critical that the upstream processes be streamlined and managed, to produce better concept notes, more detailed planning and correct scope of works, ***before*** commencement of the implementation phase. Poor upstream processes for major projects will impact on the implementation phase. ICI is responsible for planning, implementing, managing, and maintaining public bridges, roads, and drainage infrastructure for Rarotonga as well as water supply, ports, airports, and roads of the Pa Enua. **Source:** ICI and mission			

68. There is scope to improve project management with improved capacity and new tools. S-Curve analysis (see Annex 5) can red-flag projects that require remedial action in time to

minimize risks. Progress reports should have all progress detail, physical as well as financial, dates and risk that is required to inform management decisions.

69. Resolving the upstream factors of cost and time overrun is a high priority reform. Senior project managers with major project experience may be contracted as needed for the management of major projects. It is important that works contracts be managed diligently and to make sure that payment certificates are calculated and certified correctly. Upstream delaying factors of projects under implementation require attention to avoid interest penalties.

15. Monitoring of Public Assets (Institutional Strength: Medium; Effectiveness: Low; Reform Priority: High)

70. This institution assesses whether the government maintains an up-to-date register of non-financial assets to enable effective management of the public sector asset portfolio. Asset values are important and cuts across the entire PIM cycle to enhance the usefulness of financial statement requirements. When developing sustainable fiscal policy, knowledge of existing physical assets is an essential input to national and sectoral plans, and the condition of facilities is important when budgeting for maintenance. It is important to regularly update asset values and condition and reflect the value of the asset stock in government's financial statements.

71. Comprehensive asset registers are required. Government financial accounts must include the value of most assets and should regularly be updated with the current value. The Financial Policies and Procedures Manual describes asset management processes and procedures in detail and requires asset registers to be updated annually.[20] CIIC has completed 80 percent of their asset register, while ICI has completed the roads, bridges, and drainage asset registers. Non-financial assets should be recorded in the financial accounts and require revaluation and depreciation, depreciation rates per asset in detail by item type, the period over which depreciation should be implemented as well as proposed depreciation percentages, Box 9.[21] The LiDAR Survey will also expedite the asset register compilation process, see Box 10: LiDAR Mapping.

Box 9. Depreciation Rates Applicable in the Cook Islands

Depreciation rates:	
Computer equipment in air-conditioned office:	3 years at 33 percent per annum
Computer equipment in non-air-conditioned offices:	4 years at 25 percent per annum
Furniture:	4-10 years at 10-25 percent per Annum
Motor vehicles:	5 years at 20 percent per annum
Buildings:	20-40 years at 5 percent per annum
Infrastructure projects:	30-50 years at 2-3,3 percent per Annum
Solar power systems:	10-25 years at 4-10 percent per

[20] Financial Policies and Procedures Manual, April 2020, Part B, Section 2.

[21] Financial Policies and Procedures Manual, Part B, Section 4.

annum

Source: Cook Islands Government Financial Policies and Procedures: April 2020.

Box 10. LiDAR Mapping - LiDAR National Arial Mapping

- Infrastructure Cook Islands (ICI) has commissioned a contract to undertake LiDAR mapping work of the land and marine areas up to 35m depth across all fifteen islands. The mapping will generate accurate 3D information about the earth's surface and of target objects such as buildings, tree canopies, other groundcover, and underwater formations.
- The LiDAR images will provide benefits across multiple sectors for the Cook Islands and both for public and private sector use. The imaging will be used to understand the landscapes and therefore enable better management and planning. ICI has engaged with other agencies across environment, infrastructure, climate change, justice, and disaster management to ensure good stakeholder involvement and sharing of information. For environmental uses, the LiDAR images are expected to improve understanding of land use and land use change over time. For transport, the data will improve understanding of optimal transport paths and for emergency management, the data will allow for the identification of areas and assets most at risk to natural disaster and severe weather impact.
- This will contribute to better asset management through facilitating the completion of accurate and detailed asset registers and promote supporting actions to increase the resilience and reduce the vulnerability of existing and new public infrastructure assets.

Source: Mission.

72. Comprehensive asset registers are not yet in place. Assets are not yet fully accounted for in government accounts and depreciation of assets is not yet implemented—partly due to the lack of skilled accountants to implement full accrual accounting practices**.** Asset registers are in the process of being populated, and condition assessments are in the early stages, while historical values are being updated. The Audit Office has identified several irregularities in the management of assets as recorded in Box 11. Non-financial assets are recorded in the financial accounts, but according to the Audit Office the numbers are not credible. Consideration should be given to whether the requirements on depreciation and asset conditions are suitable for the current capacity level.

Box 11. Irregularities in Asset Management Identified by the Audit Office

The Audit Office identified numerous irregularities in asset management. These included:

- The Auditors were unable to obtain sufficient audit evidence to confirm whether balances and transaction, for inventory, property, plant, and equipment were fairly represented.
- The agencies' controls were not adequate to correctly record amounts spent on infrastructure every year.
- The agencies did not have an accurate and complete listing of all assets under its control.
- The agencies did not have an accurate and complete listing of its entire inventory.

Source: Annual report from the Cook Islands Audit Office: Infrastructure Cook Islands: 30 April 2021.

73. Development and improvement of asset registers are a high reform priority. It is important to finalize the compilation of a comprehensive asset register, incorporating all property assets. More accurate and complete data will strengthen accountability of assets and

provide a more robust basis for assessing resources needed to adequately maintain asset values and identify potential alternative uses

IV. CLIMATE CHANGE PUBLIC INVESTMENT MANAGEMENT ASSESSMENT

A. Climate Change and Public Infrastructure in the Cook Islands

74. Climate change and natural hazards are already impacting the Cook Islands. The Cook Islands are experiencing increasing temperatures, with warming trends expected to continue throughout the 21st century, in the range of 0.6°C–2.7°C depending on the rate of global emissions. The sea-level near the Cook Islands is projected to increase throughout the 21st century. While most of the Cook Islands have higher elevation than their Pacific neighbors, this still exposes coastal communities to a greater storm-surge threat. The country's tourism economy is particularly vulnerable, with tourism infrastructure in the coastal zone exposed to hazards and potential declines in biodiversity, particularly corals, possibly impacting attractiveness to foreign visitors. Potential intensification of the most extreme tropical cyclone events threatens significant damage and loss.[22]

75. Given the vulnerability to climate change, successive governments have developed a series of strategies and policies for climate adaptation as well as GHG mitigations. It has been estimated that CI faces an average annual loss of NZ$4.9 million from tropical cyclones, with probable maximum losses of NZ$56.8 million, NZ$103 million and NZ$198.1 million from 1-in-50, 1-in-100 and 1-in-250 year events respectively, equivalent to 18.8 percent, 34 percent, and 65.5 percent of GDP in FY2016.[23] New institutions have also been set up to address the challenges. Table 7 gives an overview of key climate-related policies and plans, and the main stakeholder institutions.

Table 7. Climate Change Strategies and Institutions in The Cook Islands

[22] Assessment from Cook Island Climate Risk Country Profile, World Bank and ADB, 2021.

[23] Catastrophe Risk Assessment and Financing Initiative (PCRAFI).

Key Strategies and Plans	Coverage
Cook Islands Climate Change Policy 2018 – 2028	The Climate Change Policy aims to contribute to the sustainable development of the Cook Islands, strengthen resilience to the impacts of climate, and work collaboratively in climate change activities domestically and internationally.
Cook Islands Climate Change Country Program 2018 - 2030	The Program aims to align the Cook Islands Country Program with the Development Agenda through Climate Financing.
Intended Nationally Determined Contribution (2017)	INDC sets targets for GHG mitigation and adaptation.
Joint National Action Plan on Climate and Disaster Mitigation (JNAP) 2016 - 2020	The goal of the JNAP is to strengthen climate and disaster resilience to protect lives, livelihoods, economic, infrastructural, cultural and environmental assets in the Cook Islands in a collaborative, sectoral approach.
National Disaster Risk Reduction Strategy	Defines key disaster risks and mitigation measures.
Third National Communication to the UNFCCC 2019	Presents climate trends, vulnerability and adaptation, and GHG inventory up to 2014, as well as institutional arrangements and policies to address obligations under the UNFCCC.
Institutions	**Climate Related Responsibilities**
Climate Change Division, Prime Minister's Office	Coordination of climate change relevant activities across the government.
National Environment Service	Responsible for environmental impact assessment framework, environmental permitting and biodiversity.
Renewable Energy Division (REDD), Prime Minister's Office	Responsible for implementing renewable energy program (in collaboration with utility)
Emergency Management CI, Prime Minister's Office	Responsible for emergency risk management and reduction

Source: Mission.

76. Resilient infrastructure will play a key role in adapting to climate change and mitigating GHG emissions. This is well recognized in government policies and strategies, but is not yet fully reflected in project preparation, analysis, budgeting and implementation. The NIIP 2021 includes an overview of projects that are assumed to be particularly climate-relevant (Box 12). The projects amount to 132 million AUD, about 19 percent of total NIIP investment. However, the plan does not provide any quantitative or detailed assessment of the climate impacts of each project.

Box 12. Climate-Relevant Projects in NIIP

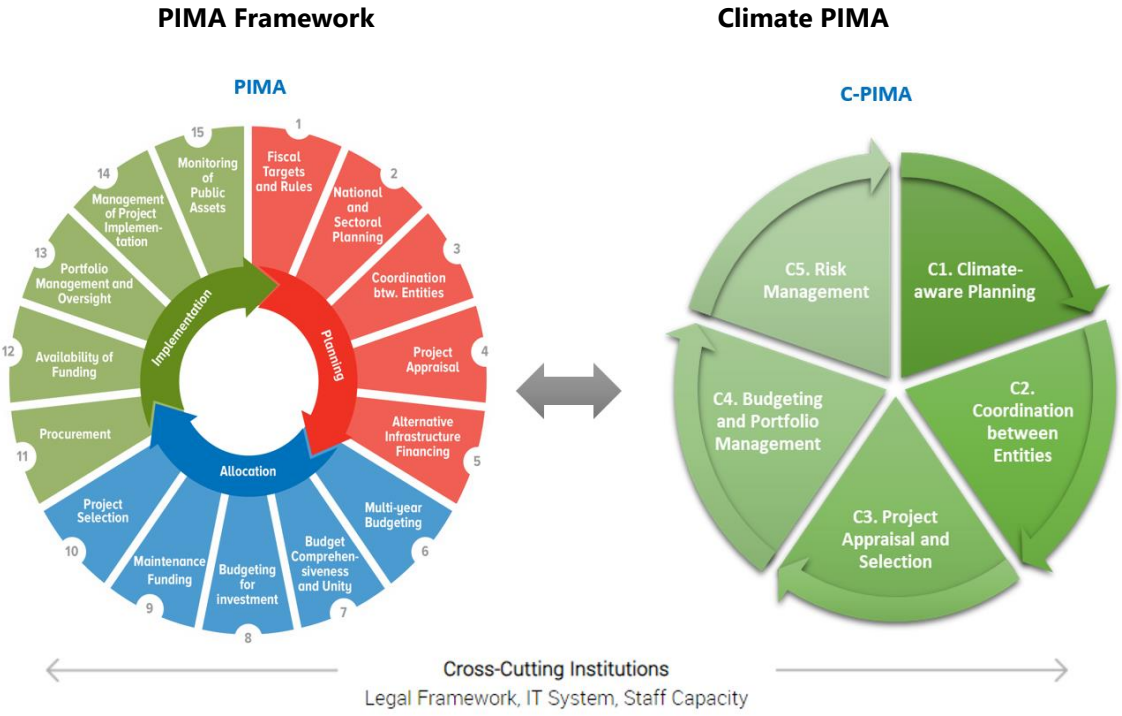
ID	Project Name *(sorted by Sector, Project Name)*	Budget ($,000)	Sector	Agency	Island(s)
43	Airport Cyclone Protection Works	1,600	Air	AACI	Rarotonga
44	Cyclone Shelters Structural Review	300	Buildings	ICI	Cook Islands
50	Manihiki Major Renovations to Cyclone Centres	300	Buildings	CIIC	Manihiki
53	Nassau Cyclone Shelter	2,000	Buildings	ICI	Nassau
55	Penrhyn Cyclone Shelter	500	Buildings	ICI	Penrhyn
69	Rakahanga Cyclone Shelter	2,050	Buildings	ICI	Rakahanga
91	Rarotonga Cyclone Shelter Upgrade	30,000	Buildings	ICI	Rarotonga
94	Aroa Stream Embankment	500	Coastal	ICI	Rarotonga
99	Avana Coastal Protection	10,000	Coastal	ICI	Rarotonga
100	Coastal Management and Mitigation	10,000	Coastal	ICI	Rarotonga
111	Northern Coastal Erosion and Protection	8,000	Coastal	ICI	Northern
112	Pa Enua Coastal Erosion Protection	1,200	Coastal	ICI	Cook Islands
114	Pukapuka Causeway Protection	1,000	Coastal	ICI	Pukapuka
115	Pukapuka Cyclone Shelter Access Road	500	Coastal	ICI	Pukapuka
116	Aitutaki Solar Stage 2	7,000	Energy	TMU	Aitutaki
117	Northern Battery Replacement & Upgrades	5,000	Energy	TAU	Northern
118	Renewable Energy Project Management	-	Energy	TAU	Rarotonga
119	Avatiu Western Marina Extension	4,000	Marine	CIPA	Rarotonga
123	Empire Bridge Replacement	3,600	Road	ICI	Rarotonga
124	Miscellaneous Bridge Upgrades	8,300	Road	ICI	Rarotonga
125	Sheraton Bridge Replacement	3,300	Road	ICI	Rarotonga
127	Taipara Bridge Replacement	3,300	Road	ICI	Rarotonga
132	Recycling Transfer Facility	200	Waste	ICI	Rarotonga
135	Solid Waste Incinerator	5,060	Waste	ICI	Rarotonga
43	TGA Rarotonga Compost Facilities	500	Waste	ICI	Rarotonga
44	Aitutaki Domestic Water Tanks	500	Water	ICI	Aitutaki
50	Aitutaki Upgrade of Galleries and Reticulation	5,200	Water	ICI	Aitutaki
53	Aitutaki Upgrade Reticulation System	5,000	Water	ICI	Aitutaki
55	Aitutaki Water Ground Water Study	500	Water	ICI	Aitutaki
69	Atiu Community Water Storage	200	Water	ICI	Atiu
91	Mitiaro Water Source and Distribution Improvement	800	Water	ICI	Mitiaro
94	Mitiaro Water Tanks	265	Water	ICI	Mitiaro
99	Northern Community Water Tanks Rehabilitation	1,200	Water	ICI	Northern
100	Pukapuka Water Gallery Improvement	120	Water	ICI	Pukapuka
111	Southern Water Ground Water	1,600	Water	ICI	Southern
112	Water Meters - Purchase and Install	8,000	Water	TTV	Rarotonga

Source: NIIP 2021.

B. Climate Assessment of Public Investment Management in the Cook Islands

77. The Climate PIMA assesses five key public investment management practices from the climate change perspective and is an extension of the existing PIMA framework. There is a close resemblance between the C-PIMA-institutions and corresponding PIMA institutions, although some of the C-PIMA institutions combine dimensions in separate PIMA institutions, and institution 5 in C-PIMA (risk management) has no counterpart in PIMA. Figure 17 describes the main elements of the C-PIMA and illustrates the relationship between PIMA and the C-PIMA Module.

Figure 177. Climate Public Investment Management Assessment Framework



78. The C-PIMA covers the following specific issues:

- *C1. Climate-aware planning:* Aligning national and sectoral plans and associated investment portfolios to climate objectives is essential in transforming public sector infrastructure in the direction of climate-resilience and sustainability. The planning phase is particularly relevant for incorporating climate into spatial planning and construction requirements.

- *C2. Coordination between entities:* Public investment can involve various layers of government, PCs, and PPPs. Integrating climate considerations into public investment management thus means coordinating across all parts of the public sector, and on joint-ventures with the private sector.

- *C3. Project appraisal and selection*: This is a crucial phase in the decision-making process on major infrastructure projects. It determines which projects get done and ensure that the most effective and efficient investments are prioritized. It is essential that climate-related analysis of mitigation and adaptation impacts of investments are included in this phase.

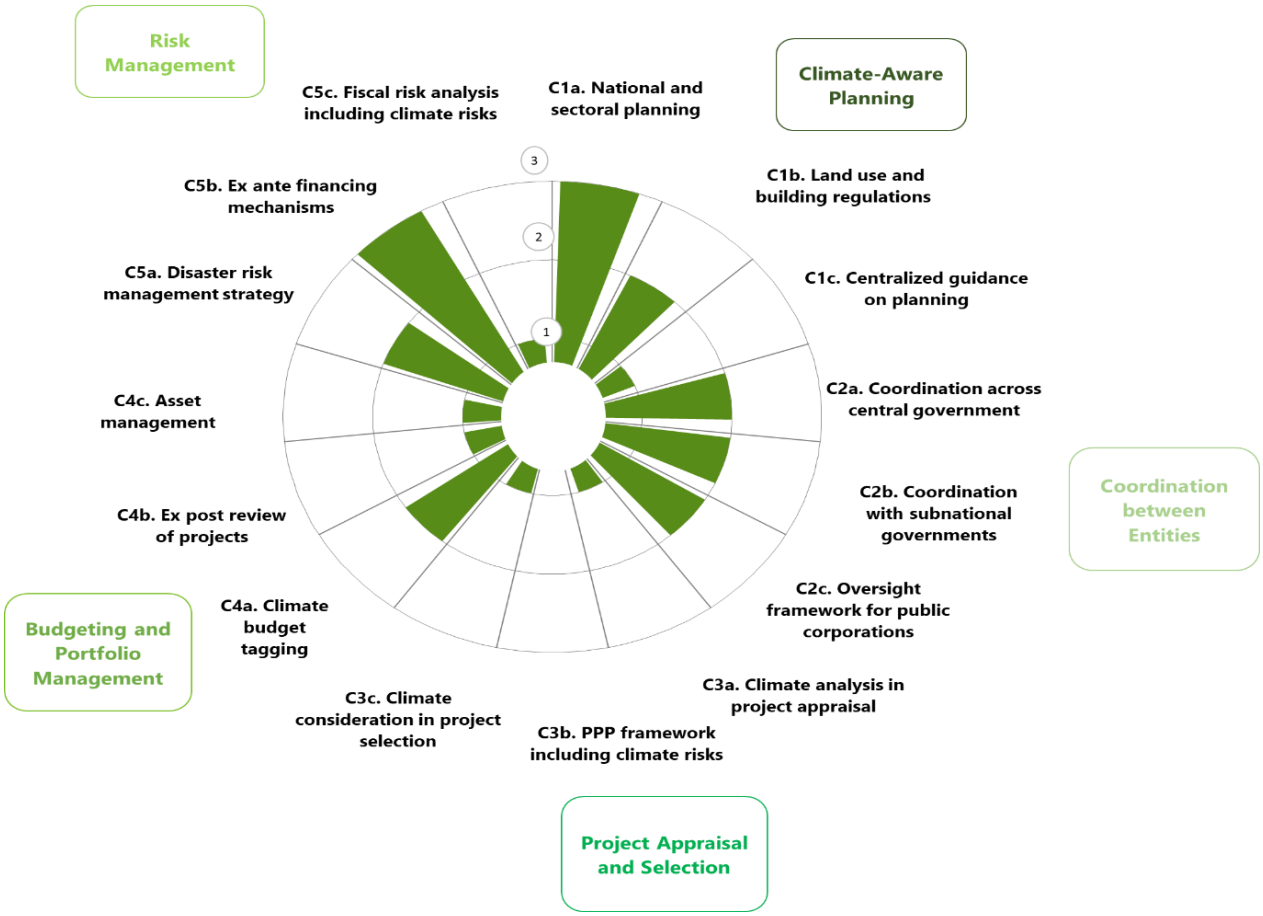
- *C.4 Budgeting and portfolio management:* Climate investment and climate-induced maintenance allocations should be budgeted for and reported on through the annual budget and other fiscal instruments such as the medium-term expenditure framework and the government's financial statements. Asset management and ex-post audit and review should similarly take into account climate objectives.

- *C5. Risk management:* Climate change involves risks that will have potential impacts on public infrastructure and the budget. It is important that natural disaster management strategies and fiscal risk analyses incorporate such risks, and that risk mitigation strategies also take climate considerations into account.

C. Detailed assessment and recommendations

79. Institutional strength is assessed for 15 C-PIMA dimensions under its five institutions. Figure 18 presents the outcomes at the dimension level for the Cook Islands. PIM practices are relatively strong under the dimensions for the integration of climate change in national and sectoral planning, coordination across the public sector, disaster risk management strategy, and ex ante risk financing mechanisms. In contrast, ex post reviews of projects on climate outcomes are not conducted and climate issues are not reflected in public asset management. In addition, climate-related fiscal risk analysis is weak and project selection does not integrate climate relevant elements. The remainder of this section provides in-depth discussion of the C-PIMA assessment and makes recommendations on specific reforms and their respective priorities.

Figure 188. Institutional Strength of Climate PIMA Dimensions in Cook Islands



C1. Climate Aware Planning (Institutional Strength: Medium; Reform Priority: High)

80. Public investment plans have been consistent with climate change targets and policies. The Cook Islands ratified the Paris Climate Agreement in 2016 and submitted its Nationally Determined Contribution in 2016. Box 13 summarizes the Cook Islands NDC mitigation and adaptation commitments. Climate change mitigation and adaptation are addressed in Goal 6 of the NSDP (National Sustainable Development Plan) on energy and transport and in Goal 13 on strengthening disaster resilience. With respect to mitigation, CCCI and REDD, two divisions in OPM, have been successful in respectively attracting substantial international climate finance and implementing the Renewable Energy Charter focusing on renewable electricity projects in the Pa Enua. The target of 100 percent renewable energy in the Pa Enua has essentially been achieved (allowing for the need for diesel back-up during times of intermittent supply). Attention has turned to reducing reliance on diesel electricity generation on Aitutaki and Rarotonga, reflected in specific investment projects in the 2022/23 budget. Climate change adaptation has been a consistent feature of public investment for the last decade, both for government and SOEs. The NDC and government strategies and policies also stress adaptation, and these projects feature large in the NIIP (Box 13), in cross-cutting strategies such as the JNAP II 2016-2020,[24] in agency strategic plans, and in recent budgets.

Box 13. Cook Islands Nationally Determined Contribution Under the Paris Agreement[25]

The NDC submitted to the UNFCCC Secretariat in September 2016 contained unconditional and conditional commitments:

Unconditional: In the absence of receiving any external support, Cook Islands committed to a future powered by renewable energy with targets of 50 percent of islands transformed from diesel based to renewably sourced electricity by 2015 to 100 percent coverage by 2020. Furthermore, using 2006 as the base year, emission from electricity generation can be reduced by 38 percent by 2020.

Conditional: On receiving external support, Cook Islands could reduce emissions from electricity generation by a further 43 percent, totaling an 81 percent emissions reduction by 2030 (relative to 2006).

Adaptation: The NDC outlined key plans and policies that articulate the country's priorities to reduce vulnerability and strengthen resilience, including the NSDP, JNAP, and the Renewable Energy Chart.

Source: mission.

81. There appears to be some lack of clarity around the government's current policy target for renewable energy. The Climate Change Policy 2018-2028 specifies a target of 100 percent renewable electricity nationally by 2025. The Economic Development Strategy 2030

[24] In the planning hierarchy in CIG, the JNAP II constitutes a 'Sector Plan' for a unified disaster risk management and climate change adaptation sector.

[25] Cook Islands submitted their Intended nationally determined contributions (INDC) to the UNFCCC Secretariat on the 20th of November 2015. No further revisions were undertaken, and the same document was endorsed and submitted as the first nationally determined contributions on 1st September 2016. https://prdrse4all.spc.int/node/4/content/nationally-determined-contribution-ndc-cook-islands.

discusses constraints on achieving a high reliance on renewables and refers to a revised interim target of 60 percent by 2030 pending an energy sector review.[26] In developing the country's next NDC it is important that all key stakeholders are involved. With respect to MFEM, a finance ministry can make a valuable contribution to the development of NDCs by providing macroeconomic assessments, policy analysis, and reliable costing of different climate interventions.[27]

82. A new Building Code has introduced climate-resilience considerations, but these are not yet operationalized in regulations on construction and spatial planning. The Building Code 2019 introduced a requirement for all buildings to be built to withstand force 5 cyclones (the highest category), although ICI is still finalizing the necessary regulations to implement the Code. The National Environment Service is responsible for permitting new developments. It is difficult in the local context to restrict the rights of landowners to develop in exposed coastal areas.

83. There is a lack of centralized guidance to agencies on how to plan public investment from a climate change perspective. As noted under institution 4, the TVP process does not yet include provisions and guidance on climate-sensitive project preparation. Cross-cutting strategies such as the JNAPII conclude by urging agencies to incorporate climate change and disaster resilience strategies into their planning and activities but there has been insufficient progress in this regard. While awareness of climate change is high this needs to be supported by technical guidance on how to incorporate mitigation and adaptation cost-effectively into project design.

84. Integrating climate change and disaster resilience into investment planning by agencies is a high priority. This would be facilitated by the preparation of centralized technical guidance on how to incorporate mitigation and adaptation actions into project planning (and allocation and implementation), and for costing of these project elements. This includes issuing regulations to implement the new Building Code and providing guidance on its implementation. Incorporating macroeconomic and fiscal policy analysis in determining the next NDC is also important. These actions should be a high priority given the significance of climate change in the Cook Islands. They would contribute to higher quality infrastructure and more resilient, sustainable, and cost-effective infrastructure.

C2. Coordination between Entities (Institutional Strength: Medium; Reform Priority: Low)

85. A central agency coordinates climate change issues across government. Climate Change Cook Islands (CCCI) within the Office of the Prime Minister is responsible for coordinating and overseeing climate change initiatives and projects across government, communities, and Pa Enua (Island Councils). CCCI works closely with the international community

[26] Economic Development Strategy 2030, pp. 92-93.

[27] See 'Ministries of Finance and Nationally Determined Contributions: Stepping Up for Climate Action.' The Coalition of Finance Ministers for Climate Action, July 2020.

including the Green Climate Fund, Adaptation Fund, Global Environment Fund and bilateral partners. It also administers its commitment to international conventions as well as sharing its experience with other Pacific Islands. The government's commitment to a coordinated response to climate change is clearly captured in the JNAP 2016-2020 and the CCP 2018-2028. Integrating climate impacts within the national development agenda across all key sectors is strongly emphasized in the CCP but this is not effectively operationalized in government regulations or guidelines.

86. Climate change coordination also covers local governments and public corporations. The investment proposals from public corporations for infrastructure developments in Rarotonga and Outer Islands are channeled through the CIIC for appraisal before they are presented to the IC to determine whether or not it is a priority. Those submissions are also required to follow the TVP, which includes the recommendation that climate considerations and remedial measures are addressed in environmental and social assessments.

87. Further strengthening of coordination on climate change-relevant public investment is a medium priority. So far, the implementation of climate change coordination has largely been ad-hoc. There is weak capacity at the planning stage to adequately reflect climate issues in concept notes and activity plans. Incorporating climate change into the budget process through the budget circular and allocation of funds could impose a degree of discipline to effectively integrate climate issues.

C3. Project Appraisal and Selection (Institutional Strength: Low; Reform Priority: High)[28]

88. Project appraisal procedures do not require climate-related analysis, but it is recognized that many investment projects have very significant impacts on climate resilience, adaptation, and mitigation. The TVP project appraisal framework provides examples of climate-related analysis, but there are no specific requirements for this type of analysis in the guidelines or templates on how such analysis could be conducted. Environmental impact assessment is required by the Environment Act (2003), but this focuses on potential negative environmental impacts of projects, not on impacts of climate change on project design and implementation. The Act does not prescribe requirements on how projects are designed to promote climate change adaptation or strengthen climate resilience.

89. There are no guidelines or templates for how such analysis could be conducted. Many projects have significant climate impacts, and there is considerable discussion about these during project preparation and analysis, but there are no standardized methodologies to ensure consistent climate analysis across projects.

90. There are no formalized climate-related elements in the project selection process, but in practice climate change is an important consideration. The TVP prioritization criteria

[28] There is no PPP framework and no PPPs in the Cook Islands, so the assessment under C3 focuses on dimension C3a and C3c.

include a general question about whether environmental and social risks have been adequately assessed and if they can be managed, with potential rating from 1 to 5. However, there is no specific decision criteria for climate specific risks or impacts. In practice, climate impacts are discussed when projects are considered and approved, but this is not done on the basis of a systematic and consistent methodology, so decisions are ad hoc in nature.

91. Improvements in climate-sensitive appraisal and selection is a high priority. The high awareness of the critical nature of climate change should be reflected in a robust methodological framework. This will help ensure that decisions in this regard are consistent and transparent and improve the overall climate benefits of the government investment portfolio.

C4. Budgeting and Portfolio Management (Institutional Strength: Low; Reform Priority: Medium)

92. Some planned climate-related public investment expenditures are identified in the budget and related documents, including investment expenditures funded externally. The CIG budget documentation identifies budgeted expenditure against the CI NSDA 2020+which reflects the Cook Islands commitment to a 100-year journey towards wellbeing for all. The agenda guides government in providing policy direction to set the medium-term budget priorities. It is built upon the framework of the UN SDGs. Capital investment in support of Goal 12 'Climate Change Resilience, Renewable Energy and Energy Efficiency' is expected to be NZ$500,000. See Box 14. The budget documentation also includes a discussion of each of the major capital investment projects funded by both the CIG and by ODA, many of which mention responding to climate concerns. Based on the SDG budgeting approach, spending to address climate challenges in the medium-term accounts for 1 per cent of the budget (capital and operating). This does not include projects that are cross cutting or have multiple objectives. By taking a broader approach and capturing investments that also have a cross cutting impact, a quick analysis reveals spending is closer to NZ$10 million.

93. No ex-post reviews or audits have been conducted of the climate change mitigation and adaptation outcomes , but the new TVP framework could facilitate future evaluations. Provisions for project evaluation do exist within the TVP system, but as it is new, no projects have yet been assessed. The TVP framework specifies five evaluation criteria that should be used for all ODA funded projects. CIG funded projects are encouraged to follow the same criteria, but it is not mandatory. The criteria do not explicitly include an evaluation of climate aspects, however if the project was explicitly designed with an objective to address climate mitigation or adaption concerns, the effectiveness

Box 14 - Budgeting for Climate-Related Public Investment Expenditure in the Budget Papers in the Cook Islands

CIG Climate-Related Capital Investment Expenditure 2022-23 Budget $'000	2021-22	2022-23	2023-24	2024-25	2025-26	Brief Description
Aitutaki Island Plan & Orongo Development Project		500				Establishment of causeway culvert crossings and additional sheet piling to be carried to **climate** proof the land
Pa Enua Government Building Projects	550	500	250	500	300	Buildings and facilities across the Pa Enua are key areas
	400	500	100	-	100	of building infrastructure and are most vulnerable to the
Rarotonga Cyclone Shelters	100	400	100	-		Rarotonga, is prone to severe floods and vulnerable to the impacts of **climate** change, such as rising sea levels and an increasing frequency and intensity of cyclones.
Inland and Coastal Waters Asset Management and Improvement Programme	37					The impacts of unstainable development, coupled with **climate change**, has led to increasing peak flows that have caused damage as well as erosion following high sea levels and storm events.
Pa Enua Marine Infrastructure Improvement Programme	160	2,660	145	515		Marine transport is the key means of transport for most goods to the Pa Enua and is the only form of passenger transport for some island communities. This requires the provision of robust harbour structures that are resilient to the impacts of **climate change.**
Water and Sanitation Infrastructure Improvement Programme	500	265				The changes to the **climate** currently being experienced, and increased extreme events predicted, expose the islands to regular droughts and resultant water shortages. Inadequate sanitation, increases the impacts by reducing the available water sources for community use.
Climate-Related Capital Investment Expenditure 2022-23 (CIG Funded)	**1,747**	**4,825**	**595**	**1,015**	**400**	
Total Capital Spending CIG	**27,770**	**34,160**	**18,257**	**15,897**	**15,042**	
% of Total Spending	**6%**	**14%**	**3%**	**6%**	**3%**	

Donor Financed Climate-Related Capital Investment Expenditure 2022-23 Budget $'000	2021-22	2022-23	2023-24	2024-25	2025-26	Brief Description
Managing Water Scarcity		1,720				To address the **climate** change-related water security challenges faced by Pacific Island Countries.
Improving Geospatial Data		1,500				This project aims to address existing date gaps by collecting high-resolution topographic data and associated imagery which will support applications such as the assessment of coastal inundation and flooding hazards - informing responses to **climate change**.
Renewable Energy Grant - GEF		170	680			
Renewable Energy Grant - GCF		1,900	2,200	5,000		
Goal 12: Climate Change, Resilience, Renewable Energy and Energy efficiency		400	100			
TOTAL Identifiable Climate related capital investment	**1,747**	**10,515**	**3,575**	**6,015**	**400**	
Real GDP	**339,261**	**504,453**	**531,192**	**503,427**	**411,799**	
As a percent of GDP	**0.5%**	**2.1%**	**0.7%**	**1.2%**	**0.1%**	

Source: IMF Staff, MFEM 2022-23 Budget papers

of the project in achieving this objective would be assessed. Climate impacts could also potentially be addressed under the sustainability and impact criteria. See Box 15 for more detail. Funding has been received from the Green Climate Fund (GCF) and Global Environment Facility (GEF) via the ADB to support investment in renewable energy. These projects are ongoing and not yet subject to an ex-post review or evaluation. The Audit Office of the Cook Islands is focused on statutory financial compliance audits and are not resourced to conduct performance audits of major public investments, or their climate impacts.

Box 15. TVP Project Completion Evaluation Criteria

The five evaluation criteria used for ex-post evaluation of projects under the TVP framework are as listed below. The criteria om sustainability and impact could bring a climate angle implicitly into the review the effectiveness of the project, once completed.

- ***Relevance:*** The extent to which the Activity is aligned with the priorities and policies of the National Sustainable Development Plan, National Infrastructure Investment Plan and other relevant national, sector or departmental policies, plans and strategies.
- ***Effectiveness:*** The extent to which an activity attains its intended result (i.e. outputs and outcomes) and any unintended results (positive and/or negative).
- ***Efficiency:*** How well, quantitatively and/or qualitatively, the activity uses resources in order to achieve results (e.g. value for money). This criterion can be used to determine how efficiently the activity has been implemented.
- ***Sustainability:*** Are the benefits of the program or activity likely to continue after donor funding has been withdrawn? Sustainability is used to assess environmental, financial and social sustainability of the activity.
- ***Impact:*** The long-term positive and negative changes produced by an activity (usually at societal level), directly or indirectly, intended or unintended.

Source: Cook Islands Activity Management System Tarai Vaka Process Overview

94. There are no formalized government asset management policies, nor methodologies for estimating maintenance needs, or mechanism for addressing climate-related risks. However, in discussion with implementing agencies, consideration of asset climate exposure is considered on an ad-hoc basis. For example, responsible entities are putting powerlines underground and moving infrastructure away from coastlines as opportunities arise. Ongoing efforts to improve asset registers, as mentioned under institution 15, will over time provide a basis for more systematic assessment and reflection of climate risks to infrastructure assets.

95. Improvements in climate budgeting and portfolio management are a medium priority. Such improvements will help ensure that the government is able to form a comprehensive picture on the cost of achieving climate mitigation and adaption measures both now and in the future and be able to plan resource allocation accordingly. Presenting spending on climate investment initiatives in the budget documents through a chapter in the budget statements, could be an entry point into mainstreaming climate budgeting and reporting.

C5. Risk Management (Institutional Strength: Medium; Reform Priority: Medium)

96. Key climate-related risks to public infrastructure are identified in qualitative terms together with approaches to mitigate the risks. The climate risks faced by the Cook Islands include rapid onset disasters (cyclones, storm surge, floods, heat waves, drought) and slow-onset (temperature increases, sea acidification) and long-term changes in key climate parameters. Of these, cyclones are the most destructive (Table 8). The impacts of the five cyclones in 2005 (including four category five storms) that damaged major infrastructure throughout the Cook Islands resulted in increased climate-proofing measures e.g., of harbors.[29] A regional initiative to combine disaster management and climate change activities was reflected in two Joint National Action Plans on Climate and Disaster Mitigation (JNAP). JNAP-II 2016–2020 summarized vulnerabilities of coastal and other infrastructure to the main disaster hazards in general qualitative terms and contained a strategy to climate-proof coastal infrastructure. The Third National Communication to the UNFCCC (TNCC) also contains adaptation strategies and actions, such as to implement the new building code, update GIS information, introduce water meters, and develop coastal protection projects. [30]

Table 8: Significant Cyclones in the Cook Islands [31]

Year	Name	Category	Estimated losses ($m)	Estimated losses (% of GDP)
1987	Sally	2	24.6	51.6
1997	Martin	3	7.5	7.6
2005	Meena	4	10.0*	5.5
	Nancy	4		
	Olaf	5		
	Percy	5		
2010	Pat	2	7.8	3.2

* Combined estimated losses for all four cyclones in 2005.

97. There is an annual contingency appropriation and additional ex ante financing mechanisms in place to meet the costs of disasters. Under the CIG Financial Policies and Procedures Manual a budget general contingency line is available to meet operating costs due to smaller more frequent climate-related damages to public infrastructure. In practice this is one of the main uses of the appropriation, the size of which has varied, and which is NZ$100,000 in 2022/23.[32] There is also contingency funding in the ICI's 2022/23 budget of NZ$200,000 which can meet costs from disaster-related damages to roads. There are additional layered ex-ante financing mechanisms to finance the costs of major disasters. These include market indemnity insurance against disaster damage for some government and SOE infrastructure assets e.g., TAU's electricity generation assets; a disaster emergency trust fund established in 2017; parametric insurance coverage since 2014 under the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) for cyclones with a 1-in-10-year probability of occurrence with pay-

[29] See for instance Case Study: Climate Proofing Mangaia Harbour, Third National Communication, p. 52.

[30] Cook Islands Third National Communication under the United Nations Framework Convention on Climate Change, Office of the Prime Minister, December 2019, p.48 and p. 54.

[31] Table 3-3 in the section on fiscal risks in the 2022/23 budget.

[32] At present the actual use of the annual contingency fund is not reported.

out based on the assessed severity of a specific cyclone; and a Disaster Recovery Mechanism loan from the ADB of NZ$30.3 million, triggered in the event of a catastrophe. The ADB loan is being drawn down in response to the current COVID-19 economic shock.

98. The annual budget fiscal risks section includes a qualitative discussion of climate-related natural disasters but does not refer to public infrastructure. The section on Fiscal Risks in the Medium-term Fiscal Strategy contains a general discussion of risks from climate-related disasters but does not refer specifically to possible damage to public infrastructure, either in qualitative nor quantitative terms. The MTDMS also refers to fiscal risks from climate change and natural disasters. [33]

99. Given the high exposure of infrastructure assets to damage from disasters, priority should be given to completing the mapping of the location and climate vulnerability of major infrastructure assets. A geo-spatial mapping project is underway (the LiDAR project, see Box 10) that will enable the inclusion in asset registers of details of the location of major infrastructure assets. This should be supplemented by details of the current condition of each asset and its hazard exposure and vulnerability. This will contribute to actions to reduce the vulnerability of coastal infrastructure and the associated fiscal risks. Development of a formal Disaster Risk Financing Strategy could also be considered to optimize the coverage and mix of the different financing instruments.

V. CROSS-CUTTING ISSUES

Legal Framework (Reform Priority: Medium)

The laws along with approved policies and the TVP provide a reasonably sound regulatory framework for public investment governance. Table 9 sets out some of the more pertinent Acts and Policies, with an explanation on relevance to the PIM institutions. The MFEM Act 1996 provides comprehensive coverage of general financial management provisions. These include roles and responsibilities, fiscal responsibility principles, the budget process, reporting requirements, appropriations, expenditure authorization, public funds, trust monies, and Government borrowing. Being at a high-level implementation of the provisions is facilitated through more detailed policies and ministry Instructions, issued in accordance with section 63 of the Act. Ministry instructions have been issued to endorse and give due authority to the Procurement Policy 2016 and the Cook Island Government Policies and Procedures Manual (CIGPPM) 2020. The MFEM is seeking to update and modernize the Act, most notably to reframe it as a Public Financial Management Act to reflect coverage of the whole PFM cycle. The planned revision provides an opportunity to ensure the Act is aligned to current

[33] Cook Islands Medium-Term Debt Management Strategy 2022–2026. Draft, May 2022.

Table 9. Relevant Laws and Policies

Law/Regulation	Relevant Context
MFEM Act 1996 (amended 1997)	High level provisions on the budget process, reporting requirements, general fiscal responsibility principles, the appropriation, and authorities to spend. Authority to issue Ministry Instructions (section 63).
PERCA Act 1995-96 (amended 2020)	Act establishing the Public Expenditure Review Committee and Audit. Main focus on financial and compliance audit. No specific mention of ex-post audits but they are not precluded in the Act.
Infrastructure Act 2019	Defines infrastructure covered under the act (including in the Pa Enua) with specific exclusion of buildings, airports and ports on Rarotonga and the airport in Aitutaki. Assigns Infrastructure Managers-Respective SOEs for reticulated infrastructure, and ICI for all other Infrastructure. Provides powers for Government to seek orders for acquiring land.
CIIC Act 1998 (amended 1999/2019)	Act establishing CIIC with the function to administer and manage Crown Assets and shareholding interests. All statutory corporations are deemed to be subsidiaries of CIIC.
Island Government Act 1988	Consolidates laws relating to local governments in outer islands. Prescribes requirement to produce Estimates (section 29), and borrowing powers, subject to the Minster's approval (section 35).
Cook Island Act 1915	Land Tenure and succession
Procurement Policy 2016	Procurement policy for the whole public sector (unless otherwise authorized for specific SOEs). Made pursuant to Article 63 of the MFEM Act 1996 (Ministry Instructions). Objective, transparent, open and value for money procurement.
Tarai Vaka Process (TVP)	Details processes and approvals required at each stage and provides templates for concept notes; project appraisals; activity planning document, activity variations, activity risk register, monitoring report, financial progress.
Cook Island Government Policies and Procedures Manual (CIGPPM) 2020	Detailed guidance on all financial policies and procedures, budgeting (recurrent and capital), accounting treatment, asset management (including depreciation) and procurement. Endorsed by Ministry Instruction.

Source: Mission

practices and capacity. Additionally, there is a desire to update the provisions (section 28) relating to reporting requirements for Departmental Accounts which is constraining a more optimal configuration of the FMIS[1][34].

100. The Infrastructure Act 2019 sets out the respective responsibilities of infrastructure managers for specific classes of infrastructure assets. It specifically excludes buildings, airports and ports on Rarotonga, and Aitutaki Airport from the definition of infrastructure

[34] The provisions of the section require each Government Department to produce a full suite of financial statements which in turn requires a set of fully balancing ledgers for each Department. This makes the system overly complex to operate in the context of balancing inter-departmental transactions, especially where capacity is spread thinly.

managed by ICI. It specifically designates the responsibility of reticulated infrastructure to the respective SOEs. The Act defines maintenance of Roads (section 18) and Infrastructure (section 22). However, it does not distinguish between routine and capital maintenance.

101. Land ownership in the Cook Islands is a significant issue impacting infrastructure implementation. Most freehold land is owned by families with succession automatically passing down to all children upon the parents' death. In many instances efforts to acquire land for infrastructure involves agreement from multiple landowners, many of whom may be absent abroad. Negotiations are therefore often protracted. Part 6 of the Infrastructure Act 2019 gives the government the powers to expropriate land if government fails to reach agreement with the landowners. However, this approach is often unpopular with the landowner and is only used as a last resort where all other options prove unsuccessful.

102. There are no specific laws or regulations covering climate change aspects of public investment. This is a nascent area, and the emerging institutions and practices are generally embedded in policy documents annual budget documents, rather than in specific legislation.

103. The TVP provides detailed guidance for taking project concepts through the various review and approval processes for inclusion in the budget and subsequent implementation. The TVP is guided by the MFEM Act 1996 (amended 1997), and the CIGPPM. It details the Activity Management System, taking an activity through its full cycle from the initial concept stage to activity planning document, technical appraisal, planning approval, implementation (including activity monitoring and reporting, completion, and post-completion evaluation. Standard templates are provided to support each part of the process.

104. The CIGPPM provides comprehensive coverage of policies and processes in the whole PFM cycle. The manual gives detailed guidance on all aspects of accounting, including period end procedures. It covers planning, budgeting for capital expenditure as well as rules on transfers of capital budgets and carried-forward budgets. It also provides detailed guidance on recording of assets in the general ledger and fixed asset registers, managing and disposing of assets, and depreciation. The manual is formally endorsed via Ministry Instruction issued in accordance with section 63 of the MFEM Act 1996.

Staff Capacity (Reform Priority: High)

105. Due to its size, the Cook Islands faces significant challenges to attract skilled personnel to government ministries and agencies. The problem is compounded by the fact that Cook Islanders are New Zealand (NZ) citizens who have open access to migrate to NZ for better paid jobs. Staff turnover is high, and the numbers are thin, which means they are overwhelmed and stretched to the limit. This problem was observed across all the agencies involved in the management of public investment. The Outer Island Councils face serious capacity issues as well. Personnel with expertise in the area of planning, leadership, budget preparation and finance are difficult to recruit. Despite the shortage of personnel, the institutions involved in the planning, appraisal, approval and implementation of public investment appear strong and managed by highly competent CEOs and managers.

106. A review of the organizational charts for MFEM, ICI and CIIC showed a high number of positions that are vacant. Accountants, engineers and economists are difficult to recruit. The government has no choice but to buy the skills from abroad which takes time and is costly. Table 10 below provides a snapshot of the manpower shortage in MFEM drawn from the organizational structures and discussion with authorities. The Economic Unit for example which deals with revenue forecasts, debt management and formulating the medium-term fiscal framework has only four staff out of six established positions. Whilst they have access to consultants/advisers from bilateral and multilateral partners from time to time, these are largely short term of up to a few months.

Table 10. Ministry of Finance and Economic Management Staffing

Unit	Established Positions	Occupied positions
Development Coordination Unit	20	14
Economic Unit	6	4
Budget Unit	5	3
Procurement Unit	5	3
FMIS Unit	6	2

Source: MFEM

107. A proposed functional review provides an ideal opportunity to review staff capacity and capability, including for climate change analysis and policy implementation. The objective of the review is to improve the capability, capacity, and functionality of the Cook Island's public sector by strengthening its effectiveness, efficiency, delivery and performance. It will examine the public service's current functions, systems, and structures to ascertain its strengths and weaknesses and identify opportunities on how these can be strengthened to improve their effectiveness, efficiency, and resilience.[35] This review provides a timely opportunity to re-examine the capacity and capability gaps. Identifying training needs should be part of the review. Training in areas such as basic technical writing, excel skills, accounting and finance, project identification and appraisal, asset management, performance management as well as engineering were identified as areas of priority. There is need to develop a recruitment strategy for filling vacancies where issues on renumeration and matching skills are clearly articulated for ministries to follow.

108. Many of the frameworks implemented by government are advanced and may exacerbate capacity constraints. While this is not a focus area for the mission, we understand that there is a 3-year backlog in producing consolidated annual financial statements. The 2021 PEFA Report gave a low score to the provision of annual financial reports because they are delayed. This is an area where support is urgent and addressing the lack of accounting skills should be treated as a priority.

[35] Functional Review TOR

109. Capacity is further stretched due to the number of committees in place—senior management is required to participate in multiple committees. Annex 4 shows that fourteen committees are involved in public investment management. This number seems excessive and the functional review should re-examine the role of these committees to reduce duplication and number to only those that add value. Each committee must also have a sunset clause to formalize their disbandment when they are no longer relevant.

Information Technology Systems (Reform Priority: Medium)

110. Government is currently undertaking a number of IT System reforms which will strengthen Public Investment Management in the medium term. The primary systems supporting public investment management are shown in Table 11 below. These systems provide operation support to strengthening PIMA Institutions 9, 11 and 15.

Table 11. Systems Supporting Public Investment Management

System	Functionality	Coverage	Rollout Status
Unit4 Business Works (FMIS)	Asset Management, Core financials	Government agencies	50% Agencies
Roads Asset Management (RAM)	Asset Management	ICI	100% Assets
Unity (formerly AssetFinda)	Asset Management	CIIC	80% Assets
Procurement Portal[36]	Procurement	Public Sector	Complete
LiDAR[37]	Geo-spatial	All Government Assets	Not started

Source: Asset Management Development Plan (AMDP); FMIS Bulletin 2 – April 2022; Mission Discussions.

111. The FMIS is based on a package called Unit4 Business Works and covers the core financial modules. The accounts payable and fixed asset modules are of specific relevance in the context of public investment management. The asset module maintains a fixed asset register and allows the identification of assets at a granular level, i.e., specific stretches of roads, etc., which will facilitate coordination and sharing of data with ICI's RAM system. Payments made in respect of routine maintenance are linked to the specific asset which will facilitate recording of life-cycle cost information. The FMIS has been rolled out to approximately 50 percent of government agencies and full rollout is envisaged by mid-2024. A consultant has been engaged to assist the data migration, including asset identification and verification.

112. The ICI Road Asset Management (RAM) system is specifically purposed for the physical monitoring and management of road and similar infrastructure assets. The identification and recording of ICI's infrastructure assets in the system is deemed complete. Work is now being initiated to assess the age and condition of assets and replacement costs, which will be recorded in the system—this also provides the opportunity to incorporate risk indicators on

[36] [3] http://procurement.gov.ck/ The procurement portal and database are discussed in detail under Institution 11 – Procurement.

[37] Box 10 provides further background on the LiDAR system.

exposure and vulnerability to disasters. Financial information, e.g., asset construction and routine maintenance costs will be provided from the FMIS and recorded as part of the assets' life-cycle costs.

113. CIIC has completed the recording of approximately 80 percent of its assets into the Unity asset management system.[38] Once complete for all assets, further work will be required to incorporate data on age, condition, impairment, and replacement cost. It will also be important to plan modalities for building up life-cycle cost data from CIIC's financial system.

114. Effective collaboration between CIIC, ICI and MFEM would help develop a common approach for recording asset data. It may be necessary to engage a consultant to assist the assessment of condition and replacement costs. This could be undertaken holistically for all asset categories rather than by individual agency. Progressively, improving the quality of asset data will facilitate commensurate improvement in audit opinions, and enable better informed decision making on public investment, including allocations for routine and capital maintenance.

VI. REFORM PRIORITIES AND RECOMMENDATIONS

A. Investment Planning Institutions

Issue 1: The outputs of individual public investment projects are often not specified, and projects are not costed at the planning stage, reducing the effectiveness of planning and flowing through to subsequent stages of the project cycle.

Recommendation 1: Strengthen investment planning by specifying the outputs of each investment project and including project costs in national and sectoral investment plans by all agencies but particularly ICI and CIIC.

Responsible agencies: All agencies but particularly ICI and CIIC

Timeframe: 2022–2023

Issue 2: At present government has no formal policy on PPPs, and it would be preferable to either develop a PPP policy and framework or decide that government will not use the PPP mode of procurement.

Recommendation 2: Formalize government policy on PPPs (which could include a policy that government will not use the PPP mode)

Responsible agencies: MFEM and CIIC

[38] SOEs manage their assets in their own individual financial systems.

Timeframe: 2022–2023

Issue 3: TVP provides a well-defined framework for project appraisal and selection but has had limited impact on IC project decisions so far

Recommendation 3: Consolidate, strengthen and consistently enforce TVP:

- Ensure that all projects are properly appraised prior to IC consideration (MFEM, IC, 2023)
- Require IC decisions to refer to TVP prioritization scores (IC, 2023)
- Develop additional guidance, including on pre-feasibility and feasibility studies, as well as climate analysis (MFEM, 2024)

Responsible agencies: MFEM and CIIC

Timeframe: 2022–2024

B. Investment Allocation Institutions

Issue: 4 Forecasts of capital spending are not effective as actual expenditure varies significantly from forecasts, impacting the efficient allocation of capital.

Recommendation 4: Strengthen the link between actual project outcomes and the budget estimates.

Responsible agencies: MFEM, CIIC, ICI.

Timeframe: 2023–2024

Issue 5: There is currently no standard methodology to determine maintenance requirements or to track maintenance funding systematically.

Recommendation 5: Develop a standardized methodology for estimating current and capital maintenance needs, including climate related maintenance needs, to be used by agencies for inclusion in the budget.

Responsible agencies: CIIC, ICI, MFEM

Timeframe: 2023–2024

C. Investment Implementation Institutions

Issue 6: Currently progress reports lack physical progress and cash flows measured against baseline data.

Recommendation 6: Progress reports should include all details on physical and financial progress, including key dates and risks to better inform management decisions. It should include the following:

- Specific guidelines on progress reporting, inclusive of reporting templates (ICI, CIIC 2023)
- Training of contract engineers in contract engineering principles as well as reporting methods and report analysis. (ICI, CIIC 2023)

Responsible agencies: ICI, CIIC

Timeframe: 2023

Issue 7: Asset management is incomplete and financial statements inaccurate, depreciation is not undertaken, and condition and climate resilience assessments are lacking.

Recommendation 7: Comprehensive asset registers should be completed, depreciation undertaken in accordance with the Policy and assets conditions should be determined. Include asset values in the financial statements and consolidated asset values in the Consolidated Financial Statements. The next steps are:

- Complete all asset registers (ICI, CIIC, All Agencies 2024)
- Conduct condition assessment of assets, including climate exposure. (ICI, CIIC, All Agencies 2024)
- Update asset values with simple deprecation requirement based on capacity. (ICI, CIIC, All Agencies 2024)
- Update Government Financial Accounts to reflect all assets. (ICI, CIIC, All Agencies 2024)

Responsible agencies: ICI, CIIC MFEM

Timeframe: 2024 onwards.

D. Climate change public Investment

Issue 8: There is high awareness of the importance of climate change for public investment, but this is not formalized and fully reflected in government policies, procedures and processes**.**

Recommendation 8: Fully integrate climate change considerations in all government policies, procedures and processes, and reflect this in updated guidelines and regulations. This should include, but not be limited to:

- Issue TVP guidelines to include climate change considerations in project appraisal and integrate climate change in TVP prioritization criteria (MFEM, 2023).

- Engage all agencies, including MFEM, in next NDC commitment (CCCI, 2022)
- Incorporate climate change in budget call circular (MFEM, 2023)
- Include chapter on climate change in Budget Book 1 (MFEM, 2023)
- Incorporate climate risks in asset registers and ensure disaster resilience in maintenance and other asset management (MFEM, 2024)
- Implement new Building Code regulations and start using climate-sensitive land use planning (ICI, EMCI, NES 2024)

Cross cutting issues

Issue 9: There are multiple IT systems used for managing infrastructure assets—establishing a holistic common approach is important for data sharing and coordination of resources for undertaking asset inventory stock takes, including age, condition assessment, and valuation of replacement costs.

Recommendation 9: Strengthen collaboration on systems development (FMIS, Unity, RAM) for data sharing, reconciliation and verification and complete rollout of systems

Timeframe: 2023 - 2024

Issue 10: There are significant capacity and capability gaps in the agencies responsible for public investment management.

Recommendation 10: The planned Functional Review should:

- Undertake a review of capacity and capability gaps and formulate a framework to identify skills required and design a strategy on how to recruit competent personnel including appropriate renumeration;
- Re-examine the role of the many committees involved in public investment management to reduce duplication and reduce the number to a manageable level. All committees must have a sunset clause to formalize how they get disbanded when they are no longer relevant.

Responsible agencies: ICI, CIIC MFEM

Timeframe: 2023–24

Annex 1. PIMA Detailed Scores for Cook Islands

The following color coding is used in presenting the scores:

Score	1	2	3
Color			

A. Planning		
	Institutional Design	Effectiveness
1.a.	3 c	2
1.b.	1	1
1.c.	2	2
2.a.	3	3
2.b.	2	2
2.c.	1	1
3.a.	2	2
3.b.	2	2
3.c.	2	2
4.a.	3	2
4.b.	2	2
4.c.	3	2
5.a.	1	1
5.b.	1	1
5.c.	3	3

B. Allocation		
	Institutional Design	Effectiveness
6.a.	3	1
6.b.	2	1
6.c.	1	1
7.a.	2	3
7.b.	2	2
7.c.	2	2
8.a.	1	1
8.b.	3	3
8.c.	2	3
9.a.	1	1
9.b.	1	1
9.c.	1	1
10.a.	3	2
10.b.	2	1
10.c.	2	1

C. Implementation		
	Institutional Design	Effectiveness
11.a.	3	2
11.b.	1	2
11.c.	3	1
12.a.	3	2
12.b.	3	3
12.c.	1	2
13.a.	2	2
13.b.	3	1
13.c.	3	1
14.a.	2	1
14.b.	2	1
14.c.	1	1
15.a.	3	1
15.b.	3	1
15.c.	3	1

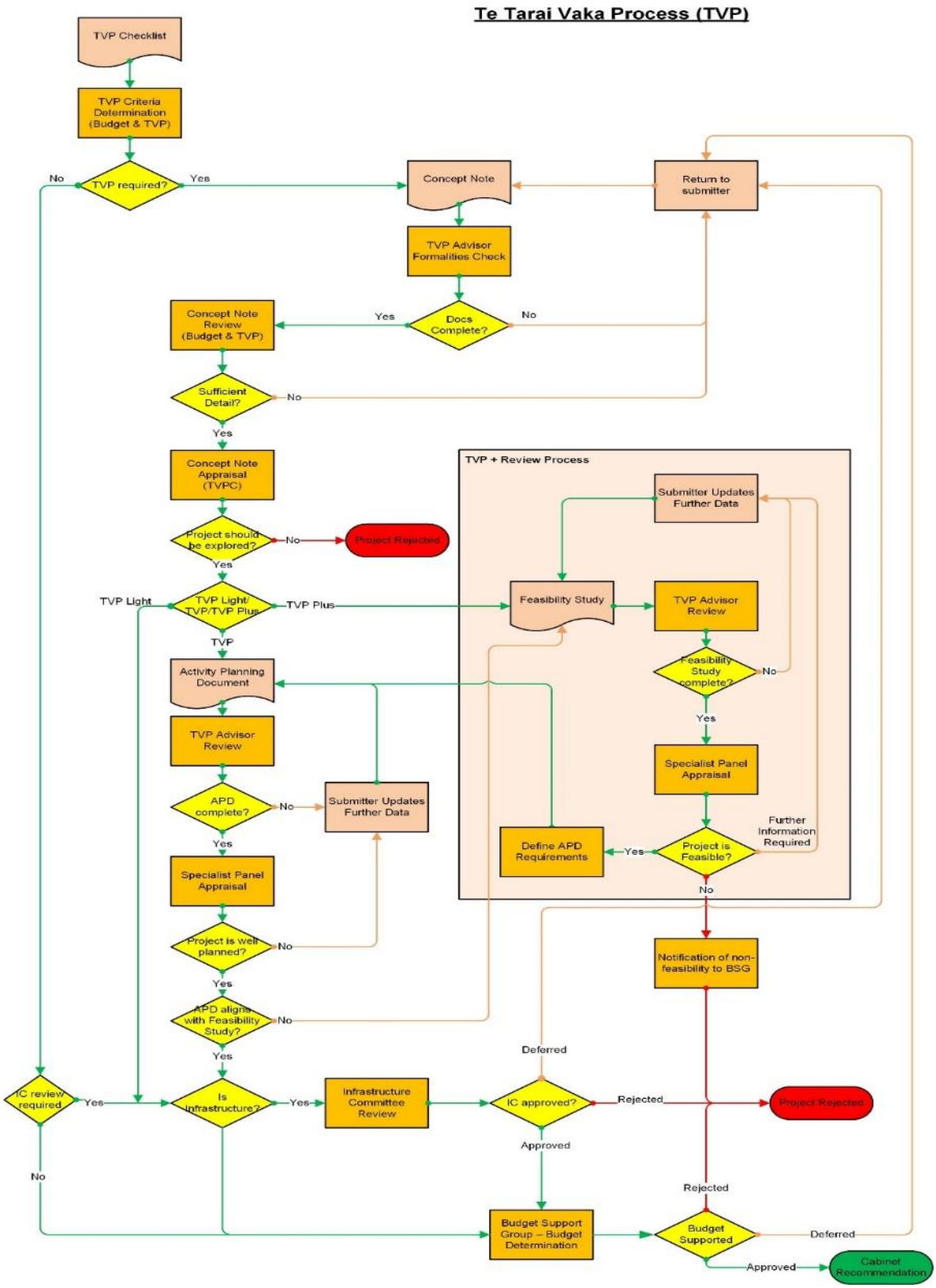
Annex 2. C-PIMA Detailed Scores for Cook Islands

The following color coding is used in presenting the scores.

Score	Low	Medium	High
	1	2	3
Color			

C1. Climate-aware planning	
C1.a.	**National and sectoral planning**
C1.b.	**Land use and building regulations**
C1.c.	**Centralized guidance on planning**
C2. Coordination between entities	
C2.a.	**Coordination across central government**
C2.b.	**Coordination with subnational governments**
C2.c.	**Oversight framework for public corporations**
C3. Projection appraisal and selection	
C3.a.	**Climate analysis in project appraisal**
C3.b.	**PPP framework including climate risks**
C3.c	**Climate consideration in project selection**
C4. Budgeting and portfolio management	
C4.a.	**Climate budget tagging**
C4.b.	**Ex post review of projects**
C4.c.	**Asset management**
C5. Risk management	
C5.a.	**Disaster risk management strategy**
C5.b.	**Ex ante financing mechanisms**
C5.c.	**Fiscal risk analysis including climate risks**

Annex 3. Tarai Vaka Process Flowchart



Source: Authorities

Annex 4. Committees Participating in PIM

Committee	Responsibility	Membership
1. Activity Governance Committee	Reviews activity reports and provides feedback before approval May suspend projects which are not implemented as intended May request an evaluation if this was not stipulated during the Concept/Planning Phases.	Appointed for each Activity
2. Budget Support Group (BSG)	The purpose of the BSG is to assist the Minister of Finance by working with the Economic Planning Division (MFEM) in determining the draft Medium-Term Expenditure Ceilings (MTEC), and in critiquing business plans and investment proposals within the context of the MTEC. The BSG is tasked with producing a recommendation for Cabinet advising on the appropriation of Government funds in accordance with the Ministry of Finance and Economic Management Act 1995/96 and the Amendment Act 1997.	Appointed annually with representatives from different agencies. Last year, the BSG had representatives from 1. Office of the Prime Minister (2x) 2. Office of the Public Service Commissioner 3. Tourism 4. Te Marae Ora (Min. of Health)
3. Central Agencies Committee (CAC)	Prior to approving cabinet memoranda, the CAC formulate advice on the relevant implications of projects and initiatives proposed which seek their endorsement.	CAC consists of: 1. The Public Service Commissioner; 2. The Solicitor General; 3. The Financial Secretary; and 4. The Chief of Staff for the Office of the Prime Minister .
4. Capital Fund Committee (CFC)	For where capital funds have not been allocated by Parliament for specific capital items, the authority to make funding recommendations to Cabinet will rest with the Capital Funding Committee. CFC scope does not include education and health.	CFC consists of: 1. One representative from MFEM, 2. One representative from CIIC, 3. CEO of the Minister of Finance Office
5. CFC Secretariat	MFEM is responsible for providing secretariat support to the CFC and will assess capital expenditure proposals for subsequent consideration by the committee.	Major Projects and Procurement Support Division (MFEM) – Procurement Unit
6. Cook Islands Government Infrastructure Committee	The IC was established to focus on the delivery of all infrastructure projects and make decisions regarding the management and commissioning of individual projects.	Membership comprises Heads of the following Agencies: 1. Infrastructure Cook Islands (ICI); 2. Ministry of Finance (MFEM);

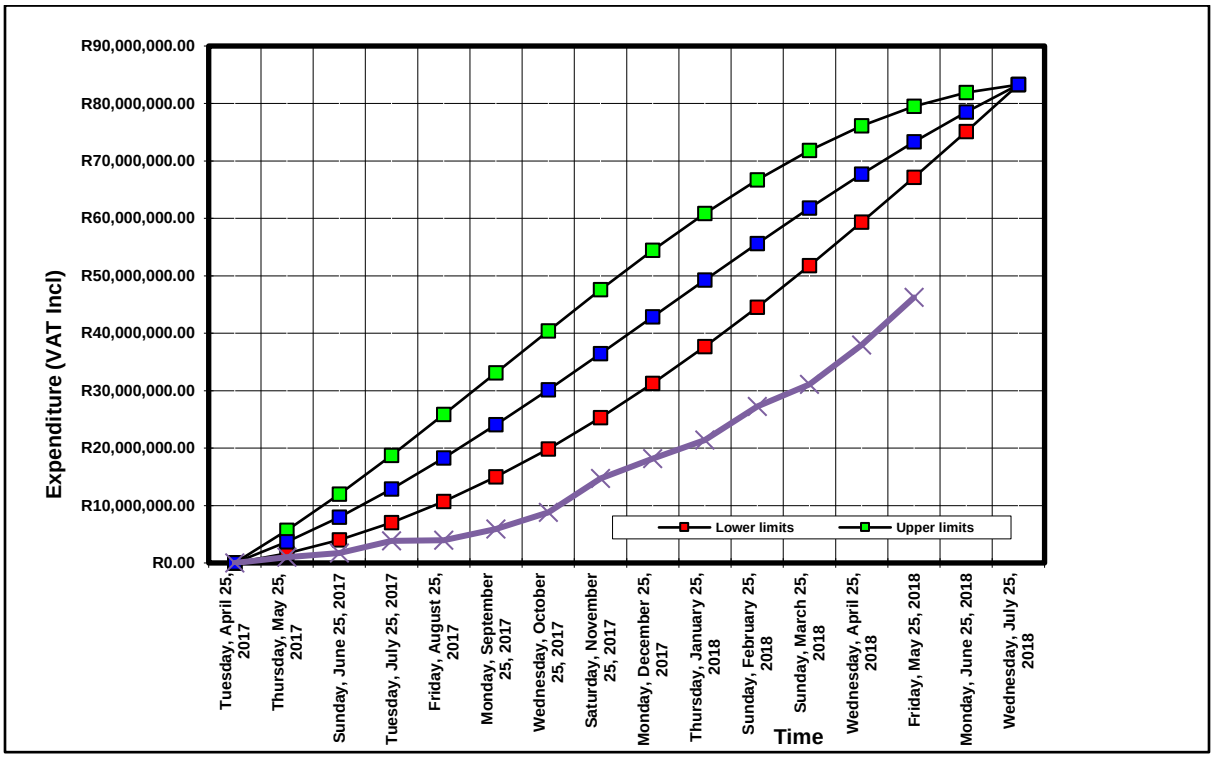
		3. Cook Islands Investment Corporation (CIIC); and 4. Office of the Prime Minister (OPM). .
7. Infrastructure Trust Fund Steering Committee	The purposes of the trust are: • Investing in physical infrastructure to deliver essential services to Cook Islanders; • Facilitating implementation of the National Infrastructure Investment Pipeline or Medium Term Framework; and • Supporting capability development of Cook Islands' infrastructure sector (across government and the private sector).	The Steering Committee for the ITF consists of: 1. a senior official of the New Zealand Ministry of Foreign Affairs and Trade (MFAT) appointed by MFAT; 2. another person (who need not be a public servant) appointed for her or his relevant expertise appointed by MFAT after consultation with MFEM; 3. a senior official of MFEM appointed by MFEM; and 4. another person (who need not be a public servant) appointed for her or his relevant expertise appointed by MFEM after consultation with MFAT.
8. National Sustainable Development Committee	The role of the NSDC is to provide sound strategic advice to Cabinet on the allocation of national resources and development aid to all sectors of the country and to ensure that such allocation is aligned to the implementation of the National Sustainable Development Plan in accordance with existing sector plans and including regional and international obligations.	The membership of the NSDC is: • Chief of Staff - Office of the Prime Minister (OPM) • Financial Secretary - Ministry of Finance and Economic Management (MFEM) • Chief Executive Officer - Office of the Public Service Commissioner (OPSC) • Secretary of Foreign Affairs - Ministry of Foreign Affairs and Immigration (MFAI) • Secretary of Education - Ministry of Education (MOE) • Director of the National Environment Service (NES) • Chairperson, or other representative, from the Infrastructure Committee (IC)2 • Secretary of Health - Ministry of Health (MOH) • Solicitor General – Crown Law Office (CLO)

		One of the following: • Secretary of Internal Affairs - Ministry of Internal Affairs (INTAFF); or • o Secretary of Culture – Ministry of Culture Development (MOCD) One of the following: • Chief Executive Officer - Financial Services Development Authority (FSDA); or • Chief Executive Officer - Business Trade and Investment Board (BTIB); or • Chief Executive Officer - Cook Islands Tourism Corporation (Tourism Corporation); or • Secretary of Marine Resources - Ministry of Marine Resources (MMR); or • Secretary of Agriculture - Ministry of Agriculture (MOA).
9. Project Coordination Committee	Monitors all projects on an operational level	Two representatives of the following agencies: 1. Office of the Prime Minister 2. Infrastructure Cook Islands 3. Cook Islands Investment Cooperation 4. Ministry of Finance
10. Project steering group	Provides solutions for technical and human resource issues when projects are off track. Can be the same as Activity Governance Committee	Appointed for each Activity
11. Tender Committee	Responsible for ensuring that a contestable, transparent, accountable, arm's length and without favoritism (probity) process has been followed, not to duplicate the work of the evaluation team. This ensures that the Crown and the taxpayer receive the best possible value for money.	The TC consists of the Financial Secretary (or nominee), Solicitor-General (or nominee) and other technical advisors as required. Where the purchase and/or sale is for a State-Owned Enterprise the Tender Committee may be referred to as the Board of Directors.
12. Tender Committee Secretariat	Provides secretariat support to the Tender Committee.	Major Projects and Procurement Support Division (MFEM) – Procurement Unit

13. Tarai Vaka Process (TVP) Committee	Appraises all concept notes and recommends TVP pathway.	BSG + Representative from Economic Planning Unit (MFEM)
14. TVP Secretariat	Convenes appraisal meetings and recommends technical appraisers for activity plans.	Major Projects and Procurement Support Division (MFEM) – TVP Unit

Source: Authorities

Annex 5. The S-CURVE



Explaining the S-Curve:

- The percentage progress versus the percentage time lapsed on any given date, is indicate in the S-Curve. The green line indicates the upper limit of expenditure, and the red line indicates the lower limit of expenditure of the project.

- The purple line indicates the actual expenditure versus time of the project, at any timeframe.

- A project that follows the blue line, within the envelope is a well-managed and resourced project that will compete within time and budget.

- The progress monitoring should be forward looking to reduce risk and to mitigate risk where required.

Risk:

Once a project follows the direction of the purple line, below the green and red envelope, it is an indication that the project is at risk of cost- and time overrun. Urgent action steps are then required to bring the purple line back into the envelop. Once the purple line continues to stay below the envelope, a management decision is required to request a method statement from the Contractor on how he/she envisages to rectify the underperformance.

Annex 6. Public Investment Management Assessment (PIMA) Questionnaire

Indicator			1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
A. Planning Sustainable Levels of Public Investment					
1. Fiscal targets and rules: Does the government have fiscal institutions to support fiscal sustainability and to facilitate medium-term planning for public investment?					
	1.a.	Is there a target or limit for government to ensure debt sustainability?	There is no target or limit to ensure debt sustainability.	There is at least one target or limit to ensure central government debt sustainability.	There is at least one target or limit to ensure general government debt sustainability.
	1.b.	Is fiscal policy guided by one or more permanent fiscal rules?	There are no permanent fiscal rules.	There is at least one permanent fiscal rule applicable to central government.	There is at least one permanent fiscal rule applicable to central government, and at least one comparable rule applicable to a major additional component of general government, such as subnational government (SNG).
	1.c.	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	There is no MTFF prepared prior to budget preparation.	There is an MTFF prepared prior to budget preparation but it is limited to fiscal aggregates, such as expenditure, revenue, the deficit, or total borrowing.	There is an MTFF prepared prior to budget preparation, which includes fiscal aggregates and allows distinctions between recurrent and capital spending, and ongoing and new projects.
2. National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?					
	2.a.	Does the government prepare national and sectoral strategies for public investment?	National or sectoral public investment strategies or plans are prepared, covering only some projects found in the budget.	National or sectoral public investment strategies or plans are published covering projects funded through the budget.	Both national and sectoral public investment strategies or plans are published and cover all projects funded through the budget regardless of financing source (e.g. donor, public corporation (PC), or PPP financing).
	2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	The government's investment strategies or plans include no cost information on planned public investment.	The government's investment strategies include broad estimates of aggregate and sectoral investment plans.	The government's investment strategies include costing of individual, major investment projects within an overall financial constraint.
	2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	Sector strategies do not include measurable targets for outputs or outcomes.	Sector strategies include measurable targets for outputs (e.g., miles of roads constructed).	Sector strategies include measurable targets for both outputs and outcomes (e.g., reduction in traffic congestion).
3. Coordination between Entities: Is there effective coordination of the investment plans of central and other government entities?					
	3.a.	Is capital spending by SNGs, coordinated with the central government?	Capital spending plans of SNGs are not submitted to, nor discussed with central government.	Major SNG capital spending plans are published alongside central government investments, but there are no formal discussions, between the central government and SNGs on investment priorities.	Major SNG capital spending plans are published alongside central government investments, and there are formal discussions between central government and SNGs on investment priorities.
	3.b.	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	The central government does not have a transparent rule-based system for making capital transfers to SNGs.	The central government uses a transparent rule-based system for making capital transfers to SNGs, but SNGs are notified about expected transfers less than six months before the start of each fiscal year.	The central government uses a transparent rule-based system for making capital transfers to SNGs, and expected transfers are made known to SNGs at least six months before the start of each fiscal year.
	3.c	Are contingent liabilities arising from capital projects of SNGs, PCs, and PPPs reported to the central government?	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are not reported to the central government.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, but are generally not presented in the central government's budget documents.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, and are presented in full in the central government's budget documents.
4. Project Appraisal: Are project proposals subject to systematic project appraisal?					
	4.a.	Are major capital projects subject to rigorous technical, economic, and financial analysis?	Major capital projects are not systematically subject to rigorous, technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis, and selected results of this analysis are published or undergo independent external review.
	4.b.	Is there a standard methodology and central support for the appraisal of projects?	There is no standard methodology or central support for project appraisal.	There is either a standard methodology or central support for project appraisal.	There is both a standard methodology and central support for project appraisal.
	4.c.	Are risks taken into account in conducting project appraisals?	Risks are not systematically assessed as part of the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal, and plans are prepared to mitigate these risks.
5. Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance in infrastructure?					
	5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecoms, and transport)?	Provision of economic infrastructure is restricted to domestic monopolies, or there are few established economic regulators.	There is competition in some economic infrastructure markets, and a few economic regulators have been established.	There is competition in major economic infrastructure markets, and economic regulators are independent and well established.
	5.b.	Has the government published a strategy/policy for PPPs, and a legal/regulatory framework which guides the preparation, selection, and management of PPP projects?	There is no published strategy/policy framework for PPPs, and the legal/regulatory framework is weak.	A PPP strategy/policy has been published, but the legal/regulatory framework is weak.	A PPP strategy/policy has been published, and there is a strong legal/regulatory framework that guides the preparation, selection, and management of PPP projects.
	5.c.	Does the government oversee the investment plans of public corporations (PCs) and monitor their financial performance?	The government does not systematically review the investment plans of PCs.	The government reviews the investment plans of PCs, but does not publish a consolidated report on these plans or the financial performance of PCs.	The government reviews and publishes a consolidated report on the investment plans and financial performance of PCs.

B. Ensuring Public Investment is Allocated to the Right Sectors and Projects					
6. Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?					
	6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	No projections of capital spending are published beyond the budget year.	Projections of total capital spending are published over a three to five-year horizon.	Projections of capital spending disaggregated by ministry or sector are published over a three to five-year horizon.
	6.b	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	There are no multiyear ceilings on capital expenditure by ministry, sector, or program.	There are indicative multiyear ceilings on capital expenditure by ministry, sector, or program.	There are binding multiyear ceilings on capital expenditure by ministry, sector, or program.
	6.c.	Are projections of the total construction cost of major capital projects published?	Projections of the total construction cost of major capital projects are not published.	Projections of the total construction cost of major capital projects are published.	Projections of the total construction cost of major capital projects are published, together with the annual breakdown of these cost over a three-five-year horizon.
7. Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process?					
	7.a.	Is capital spending mostly undertaken through the budget?	Significant capital spending is undertaken by extra-budgetary entities with no legislative authorization or disclosure in the budget documentation.	Significant capital spending is undertaken by extra-budgetary entities, but with legislative authorization and disclosure in the budget documentation.	Little or no capital spending is undertaken by extra-budgetary entities.
	7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	Capital projects are not comprehensively presented in the budget documentation, including PPPs, externally financed, and PCs' projects.	Most capital projects are included in the budget documentation, but either PPPs, externally financed, or PCs' projects are not shown.	All capital projects, regardless of financing sources, are included in the budget documentation.
	7.c.	Are capital and recurrent budgets prepared and presented together in the budget?	Capital and recurrent budgets are prepared by separate ministries, and/or presented in separate budget documents.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, but without using a program or functional classification.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, using a program or functional classification.
8. Budgeting for Investment: Are investment projects protected during budget implementation?					
	8.a.	Are total project outlays appropriated by the legislature at the time of a project's commencement?	Outlays are appropriated on an annual basis, but information on total project costs is not included in the budget documentation.	Outlays are appropriated on an annual basis, and information on total project costs is included in the budget documentation.	Outlays are appropriated on an annual basis and information on total project costs, and multiyear commitments is included in the budget documentation.
	8.b.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	There are no limitations on virement from capital to current spending.	The finance ministry may approve virement from capital to current spending.	Virement from capital to current spending requires the approval of the legislature.
	8.c	Is the completion of ongoing projects given priority over starting new projects?	There is no mechanism in place to protect funding of ongoing projects.	There is a mechanism to protect funding for ongoing projects in the annual budget.	There is a mechanism to protect funding for ongoing projects in the annual budget and over the medium term.
9. Maintenance Funding: Are routine maintenance and major improvements receiving adequate funding?					
	9.a.	Is there a standard methodology for estimating routine maintenance needs and budget funding?	There is no standard methodology for determining the needs for routine maintenance.	There is a standard methodology for determining the needs for routine maintenance and its cost.	There is a standard methodology for determining the needs for routine maintenance and its cost, and the appropriate amounts are generally allocated in the budget.
	9.b.	Is there a standard methodology for determining major improvements (e.g. renovations, reconstructions, enlargements) to existing assets, and are they included in national and sectoral investment plans?	There is no standard methodology for determining major improvements, and they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, but they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, and they are included in national or sectoral plans.
	9.c.	Can expenditures relating to routine maintenance and major improvements be identified in the budget?	Routine maintenance and major improvements are not systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget, and are reported.
10. Project Selection: Are there institutions and procedures in place to guide project selection?					
	10.a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	Major projects (including donor- or PPP-funded) are not reviewed by a central ministry prior to inclusion in the budget.	Major projects (including donor- or PPP-funded) are reviewed by a central ministry prior to inclusion in the budget.	All major projects (including donor- or PPP-funded) are scrutinized by a central ministry, with input from an independent agency or experts prior to inclusion in the budget.
	10.b.	Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?	There are no published criteria or a required process for project selection.	There are published criteria for project selection, but projects can be selected without going through the required process.	There are published criteria for project selection, and generally projects are selected through the required process.
	10.c.	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	The government does not maintain a pipeline of appraised investment projects.	The government maintains a pipeline of appraised investment projects but other projects may be selected for financing through the annual budget.	The government maintains a comprehensive pipeline of appraised investment projects, which is used for selecting projects for inclusion in the annual budget, and over the medium term.

C. Delivering Productive and Durable Public Assets					
11. Procurement					
	11.a.	Is the procurement process for major capital projects open and transparent?	Few major projects are tendered in a competitive process, and the public has limited access to procurement information.	Many major projects are tendered in a competitive process, but the public has only limited access to procurement information.	Most major projects are tendered in a competitive process, and the public has access to complete, reliable and timely procurement information.
	11.b	Is there a system in place to ensure that procurement is monitored adequately?	There is no procurement database, or the information is incomplete or not timely for most phases of the procurement process.	There is a procurement database with reasonably complete information, but no standard analytical reports are produced from the database.	There is a procurement database with reasonably complete information, and standard analytical reports are produced to support a formal monitoring system.
	11.c	Are procurement complaints review process conducted in a fair and timely manner?	Procurement complaints are not reviewed by an independent body.	Procurement complaints are reviewed by an independent body, but the recommendations of this body are not produced on a timely basis, nor published, nor rigorously enforced.	Procurement complaints are reviewed by an independent body whose recommendations are timely, published, and rigorously enforced.
12. Availability of Funding: Is financing for capital spending made available in a timely manner?					
	12.a.	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	Cash-flow forecasts are not prepared or updated regularly, and ministries/agencies are not provided with commitment ceilings in a timely manner.	Cash-flow forecasts are prepared or updated quarterly, and ministries/agencies are provided with commitment ceilings at least a quarter in advance.	Cash-flow forecasts are prepared or updated monthly, and ministries/agencies are provided with commitment ceilings for the full fiscal year.
	12.b	Is cash for project outlays released in a timely manner?	The financing of project outlays is frequently subject to cash rationing.	Cash for project outlays is sometimes released with delays.	Cash for project outlays is normally released in a timely manner, based on the appropriation.
	12.c	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	External financing is largely held in commercial bank accounts outside the central bank.	External financing is held at the central bank, but is not part of the main government bank account structure.	External financing is fully integrated into the main government bank account structure.
13. Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio					
	13.a	Are major capital projects subject to monitoring during project implementation?	Most major capital projects are not monitored during project implementation.	For most major projects, annual project costs, as well as physical progress, are monitored during project implementation.	For all major projects, total project costs, as well as physical progress, are centrally monitored during project implementation.
	13.b	Can funds be re-allocated between investment projects during implementation?	Funds cannot be re-allocated between projects during implementation.	Funds can be reallocated between projects during implementation, but not using systematic monitoring and transparent procedures.	Funds can be re-allocated between projects during implementation, using systematic monitoring and transparent procedures.
	13.c	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	Ex post reviews of major projects are neither systematically required, nor frequently conducted.	Ex post reviews of major projects, focusing on project costs, deliverables and outputs, are sometimes conducted.	Ex post reviews of major projects focusing on project costs, deliverables, and outputs are conducted regularly by an independent entity or experts, and are used to adjust project implementation policies and procedures.
14. Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?					
	14.a.	Do ministries/agencies have effective project management arrangements in place?	Ministries/agencies do not systematically identify senior responsible officers for major investment projects, and implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, but implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, and implementation plans are prepared prior to budget approval.
	14.b.	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	There are no standardized rules and procedures for project adjustments.	For major projects, there are standardized rules and procedures for project adjustments, but do not include, if required, a fundamental review and reappraisal of a project's rationale, costs, and expected outputs.	For all projects, there are standardized rules and procedures for project adjustments and, if required, include a fundamental review of the project's rationale, costs, and expected outputs.
	14.c.	Are ex post audits of capital projects routinely undertaken?	Major capital projects are usually not subject to ex post external audits.	Some major capital projects are subject to ex post external audit, information on which is published by the external auditor.	Most major capital projects are subject to ex post external audit information on which is regularly published and scrutinized by the legislature.
15. Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?					
	15.a	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	Asset registers are neither comprehensive nor updated regularly.	Asset registers are either comprehensive or updated regularly at reasonable intervals.	Asset registers are comprehensive and updated regularly at reasonable intervals.
	15.b	Are nonfinancial asset values recorded in the government financial accounts?	Government financial accounts do not include the value of non-financial assets.	Government financial accounts include the value of some non-financial assets, which are revalued irregularly.	Government financial accounts include the value of most nonfinancial assets, which are revalued regularly.
	15.c	Is the depreciation of fixed assets captured in the government's operating statements?	The depreciation of fixed assets is not recorded in operating statements.	The depreciation of fixed assets is recorded in operating statements, based on statistical estimates.	The depreciation of fixed assets is recorded in operating expenditures, based on asset-specific assumptions.
NEW INSTITUTIONS					
Cross-cutting issues					
	A	**IT support**. Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?			
	B	**Legal Framework**. Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, procedures, standards and accountability for effective PIM?			
	C	**Staff capacity.** Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective PIM institutions?			

Annex 7. Climate-Public Investment Management Assessment (C-PIMA) Questionnaire

	QUESTION	NOT MET	PARTIALLY MET	FULLY MET
C1. Climate-aware planning: Is public investment planned from a climate change perspective?				
C.1.a	Are national and sectoral public investment strategies and plans consistent with NDC or other overarching climate change strategy on mitigation and adaptation?	National and sectoral public investment strategies and plans are not consistent with NDC or other overarching climate change strategy.	National public investment strategies and plans are consistent with NDC or other overarching climate change strategy for ***some*** sectors.	National and sectoral public investment strategies and plans are consistent with NDC or other overarching climate change strategy for ***most*** sectors.
C.1.b	Do central government and/or sub-national government regulations on spatial and urban planning, and construction address climate-related risks and impacts on public investment?	Central government and/or sub-national government regulations on spatial and urban planning, and construction do not address climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, ***or*** construction (through building codes) addresses climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, ***and*** construction (through building codes) address climate-related risks and impacts on public investment.
C.1.c	Is there centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies?	There is no centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the ***preparation*** of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the ***preparation and costing*** of climate-aware public investment strategies.
C2. Coordination between entities: Is there effective coordination of decision making on climate change-related public investment across the public sector?				
C.2.a	Is decision making on public investment coordinated across central government from a climate-change perspective?	Decision making on public investment is not coordinated across central government from a climate-change perspective.	Decision making on public investment is coordinated across ***budgetary central government*** from a climate-change perspective.	Decision making on public investment is coordinated across ***all central government, including externally financed projects, PPPs and extra-budgetary entities*** , from a climate-change perspective.
C.2.b	Is the planning and implementation of capital spending of SNGs coordinated with the central government from a climate-change perspective?	The planning and implementation of capital spending of SNGs is not coordinated with the central government from a climate-change perspective.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective and information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective, information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects***, and there are formal discussions between central government and SNGs on the planning and implementation of climate-related investments.***
C.2.c	Does the regulatory and oversight framework for public corporations ensure that their climate-related investments are consistent with national climate policies and guidelines?	The regulatory and oversight framework for public corporations does not promote consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations ***promotes consistency*** between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations ***requires that their climate-related investments be consistent*** with national climate policies and guidelines.
C3. Do project appraisal and selection include climate-related analysis and criteria?				
C.3.a	Does the appraisal of major infrastructure projects require climate-related analysis to be conducted according to a standard methodology with central support?	The appraisal of major infrastructure projects does not require climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology***, and a summary of appraisals is published or subject to independent external review.***
C3b	Does the framework for managing longer-term public investment contracts, such as PPPs, explicitly address climate-related challenges?	The referred framework does not include explicit consideration of climate change for risk allocation or contract management.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts, ***and contract managers in government departments and agencies are mandated to address climate-related challenges.***
C.3.c	Are climate-related elements included among the criteria used by the government for the selection of infrastructure projects?	Either there are no explicit selection criteria or climate-related elements are not included among the criteria used by the government for the selection of projects for financing.	Climate-related elements are included among the criteria used by the government for the selection of all major ***budget-funded projects*** , and the criteria are published.	Climate-related elements are included among the criteria used by the government for the selection of ***all major projects, including externally financed projects, projects financed by extra-budgetary entities, and PPPs*** , and the criteria are published.

C.4 Budgeting and portfolio management: Is climate-related investment spending subject to active management and oversight?				
C.4.a.	Are planned climate-related public investment expenditures, sources of financing, outputs and outcomes identified in the budget and related documents, monitored, and reported?	Planned climate-related public investment expenditures are not identified in the budget and related documents.	***Some*** planned climate-related public investment expenditures are identified in the budget and related documents, including investment expenditures funded externally, by extra-budgetary entities, and PPPs.	***Most*** planned climate-related public investment expenditures, ***sources of financing, and outputs and outcomes*** are identified in the budget and related documents, including investment expenditures funded externally, by extra-budgetary entities, and PPPs, ***and expenditure on these projects is monitored and reported.***
C4.b.	Are ex-post reviews or audits conducted of the climate change mitigation and adaptation outcomes of public investments?	No ex-post reviews or audits are conducted of the climate change mitigation and adaptation outcomes of public investments.	Ex-post reviews or audits are conducted for selected major public investments of ***either the climate change mitigation or adaptation outcomes.***	Ex-post reviews or audits are conducted ***and published*** for selected major public investments of ***both the climate change mitigation and adaptation outcomes.***
C4.c.	Do the government's asset management policies and practices, including the maintenance of assets, address climate-related risks?	Neither the government's asset management policies and practices nor methodologies for estimating the maintenance needs of climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs of ***some*** climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs ***and associated costs*** of ***most*** climate change-exposed infrastructure assets address climate-related risks, ***and government asset registers include climate-related information of these assets.***
C5. Risk management: Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan?				
C5.a.	Does the government publish a national disaster risk management strategy that incorporates the potential impact of climate change on public infrastructure assets and networks?	Either there is no published national disaster risk management strategy, or the strategy does not identify the key climate-related risks to public infrastructure assets and networks.	The government publishes a national disaster risk management strategy that identifies the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure, and vulnerability.	The government publishes a national disaster risk management strategy that identifies ***and analyses*** the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure and vulnerability, ***and includes the government's plans to mitigate and respond to these risks.***
C5.b.	Has the government put in place ex ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks?	The government has not put in place any ex ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks.	There is an annual contingency appropriation in the budget ***or other financing mechanisms*** that is available to meet the costs of climate-related damages to public infrastructure.	There is an annual contingency appropriation in the budget ***and other financing mechanisms*** that are available to meet the costs of climate-related damages to public infrastructure.
C5.c.	Does the government conduct and publish a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets?	The government does not conduct a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets.	The government conducts and publishes a fiscal risk analysis that incorporates a ***qualitative*** assessment of climate-related risks to public infrastructure assets over the medium term.	The government conducts and publishes a fiscal risk analysis that incorporates a ***quantitative*** assessment of climate-related risks to public infrastructure assets over the medium term ***and policies to mitigate these risks, and a qualitative assessment of the risks that may arise over the long-term.***

Annex 8. Action Plan

Planning Sustainable Levels of Public Investments				
Issue	**Action**	**Capacity building needs**	**Responsibility**	**Timing**
The outputs of individual public investment projects are often not specified, nor fully costed at the planning stage, reducing the effectiveness of planning impacting subsequent stages of the project cycle.	Strengthen investment planning by specifying the outputs of each investment project and including project costs in national and sectoral investment plans.	PFTAC CD on developing outputs and key performance indicators, and project costing	All agencies but particularly ICI and CIIC	2022 - 2023
At present government has no formal policy on PPPs, and it would be preferable to either develop a PPP policy and framework or decide that government will not use the PPP mode of procurement.	Formalize government policy on PPPs (which could include a policy that government will not use the PPP mode).	No TA required	MFEM and CIIC	2022 - 2023
Ensuring Public Investment is Allocated to the Right Sectors and Projects				
Issue	**Action**	**Capacity building needs**	**Responsibility**	**Timing**
Capital estimates are not effective as actual expenditure varies significantly impact the efficient allocation of capital.	Strengthening the link between actual project outcomes and the budget estimates. • Drivers and implications of delays gathered from performance reporting information should be effectively incorporated into decisions on capital funding allocations, which may require some reprofiling of capital spending across the budget estimates period, as well as into the next budget year	To be undertaken in-house.	MFEM and CIIC	2022 - 2023

There is currently no standard methodology to determine maintenance requirements or to track maintenance funding systematically.	Develop a standardized methodology for estimating current and capital maintenance needs, to be used by agencies for inclusion in the budget. • Benchmark routine and capital maintenance costs for each major asset class against industry standards. • Determine a methodology for costing maintenance requirements based on age, condition, climate exposure and replacement cost of each asset class. • Present detailed analysis to support budget submissions for maintenance.	Engineering support to assist government in asset condition and replacement cost assessment	CIIC, ICI, MFEM, CIIC, ICI, MFEM. CIIC, ICI, MFEM, CIIC, ICI, MFEM,	2023 2023 2024 2022-24
TVP provides a well-defined framework for project appraisal and selection but has had limited impact on IC project decisions so far.	Consolidate, strengthen and consistently enforce TVP, including: • Ensure that all projects are properly appraised prior to IC consideration, including climate analysis • Require IC decisions to refer to TVP prioritization scores • Develop additional guidance, including on pre-feasibility and feasibility studies	To be undertaken in-house. PFTAC TA support – coordinate with climate change action below	MFEM, IC IC MFEM	2023 2023 2024
Delivering Productivity and Durable Public Assets				
Currently progress reports lack physical progress and cash flows measured against baseline data.	Progress reports should include all details on physical and financial progress, including key dates and risks to better inform management decisions.	TA support to enhance project management (and reporting) skills	ICI and CIIC	2022 - 2023
Asset management is incomplete and updated correct asset values are excluded from financial statements,	Progressively complete inventory of assets including condition, exposure and vulnerability to disasters and climate change	PFTAC to provide support to implement the valuations in financial statements,	ICI, CIIC and all Agencies	2022 - 2023

depreciation is not conducted, and condition assessments are outstanding.	Specify and cost capital project outputs across project cycle starting at planning stage and monitor outputs			

Climate Change				
Issue	**Action**	**Capacity building needs**	**Responsibility**	**Timing**
There is high awareness of the importance of climate change for public investment, but this is not formalized and fully reflected in government policies, procedures and processes.	Fully integrate climate change considerations in all government policies, procedures and processes, and reflect this in updated guidelines and regulations. This should include, but not be limited to: • Issue TVP guidelines to include climate change considerations in project appraisal and integrate climate change in TVP prioritization criteria • Engage all agencies, including MFEM, in next NDC commitment • Incorporate requirement to identify climate change related spending in budget call circular • Include chapter describing climate-related spending and expected climate change impacts of the budget in Budget Book 1 • Incorporate climate exposure and vulnerabilities in asset registers and ensure disaster resilience in maintenance and other asset management • Update building codes and strengthen climate-sensitive land use planning	PFTAC support coordinated with strengthening core planning/budgeting CD processes	MFEM Central Agencies Committee, MFEM MFEM MFEM EMCI, NES	2023 2022 2023 2023 2024 2024

Cross- cutting Issues				
Issue	**Action**	**Capacity building needs**	**Responsibility**	**Timing**
There are multiple IT systems used for managing infrastructure assets—establishing a holistic common approach is important for data sharing and coordination of resources for undertaking asset inventory stock-takes, including age, condition assessment, and valuation of replacement costs.	Strengthen collaboration on systems development (FMIS, Unity, RAM) for data sharing, reconciliation and verification and complete rollout of systems • CIIC, ICI and MFEM FMIS Team to meet and develop a plan undertaking asset identification and verification, assessment of condition and valuation of replacement costs, including identification of required technical assistance support. • Complete the development of the computerized asset management systems, progressively improving comprehensiveness and quality of asset data	CD on verification, condition and valuation of all major assets.	CIIC, ICI, MFEM CIIC, ICI, MFEM CIIC, ICI, MFEM	2022 2022 – 2024 2023 – 2024
There are serious capacity and capability gaps in the agencies responsible for public investment management.	Use functional review to improve coordination, reduce duplication including number of committees, share data and strengthen capacity for public investment management.		CIIC, ICI, MFEM, other agencies	2022 - 2023