

EN

**11th EUROPEAN DEVELOPMENT FUND
NATIONAL INDICATIVE PROGRAMME 2014-2020
FOR THE COOK ISLANDS**

GENERAL CLAUSES

The Cook Islands and the European Commission hereby agree as follows:

- (1) The Cook Islands and the European Commission, hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014 to 2020.

These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of the Cook Islands, and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010. The National Indicative Programme is annexed hereafter.

- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to the Cook Islands for the period from 2014 to 2020, an amount of EUR 1.4 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation).

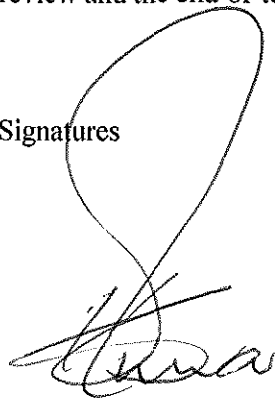
A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.

- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which the Cook Islands benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Cook Islands within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds de-committed from projects or programmes under those EDFs.


The respective projects and programmes shall be implemented according to the rules and procedures of the 10th EDF until the entry into force of the 11th EDF implementing rules and financial regulation.

- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

Signatures



For the Government of the Cook Islands



For the European Commission

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Acronyms and Abbreviations

ACP	African, Caribbean and Pacific Countries
ADB	Asian Development Bank
EDF	European Development Fund
EIB	European Investment Bank
EU/EUD	European Union / European Union Delegation
GDP	Gross Domestic Product
MDG	Millennium Development Goals
MFEM	Ministry of Finance and Economic Management
NAO	National Authorising Officer
NSDC	National Sustainable Development Commission
NSDP	National Sustainable Development Plan
PEFA	Public Expenditure and Financial Assessment
PFM	Public Financial Management
SRC	Sector Reform Contract



0. Summary

The Cook Islands are classified as an Upper Middle Income Country with a population of approximately 15,000 which is declining, and has one of the highest GDP per capita in the Pacific at approximately EUR 12,000 in 2014. Remittances play an important role, while economic development is hindered by its isolation from foreign markets, small population centres on the main island and depopulation in outer islands, lack of natural resources, frequent natural disasters, limited infrastructure, as well as the high cost of finance. Nonetheless, over the last 10 years, the economy of the Cook Islands' has achieved an average real growth rate of 1.3%, with real GDP growing by 3.3% in 2012. The unemployment rate is estimated at 8% with young people making up one third of all unemployed. Disparities in income are significant between the outer islands and Rarotonga.

Since 1965, the Cook Islands have been a **self-governing state in free association with New Zealand** and its citizens possess New Zealand citizenship. It is a Westminster-type democracy with a 24-seat unicameral Parliament elected every four years. A House of Chiefs advises the Government on customary use of land. Two parties dominate the political stage: the Cook Islands Party (CIP) and the Democratic Party (DP). The Cook Islands and the EU are like-minded partners and relations are excellent.

The Cook Islands Government indicated its preference to maintain water and sanitation as the focal sector for EDF11. Based on identified priorities in the country and its continuity with the EDF10 cooperation, this choice was endorsed.

A sound sanitation sector policy was adopted in December 2013 providing overall policy orientations as well as budgeting, monitoring and evaluation tools. The EDF support to the sector will contribute to extend the Muri Lagoon Water Treatment Programme to other areas of the Cook Islands. The project has so far been implemented together with New Zealand, and will improve the water quality and hence improve public health and environmental protection. Complementarity of the donor's approach is to be highlighted in this case, with EU implementing a budget support programme and while New Zealand continues to support concrete and complementary projects.

Following consultations with the Government of the Cook Islands and Development Partners, in particular with New Zealand, and subsequent agreement with the Government, the 11th EDF National Indicative Programme, in the amount of **EUR 1.4 million** for the period 2014-2020 will focus on one sector, which is considered vital for the Country's continued sustainable and inclusive development:

Water and Sanitation – building on successful initiatives under previous EDF sector programmes. Continued support will be provided to improve water supply and sanitation, for which an amount of **EUR 1.4 million** or 100% of the total NIP, is foreseen.

The Country will also benefit considerably from regional activities under the forthcoming EDF11 Regional Indicative Programme for the Pacific, which is likely to focus on (1) Regional Economic Integration, including Trade-Related Assistance; (2) Sustainable Management of Natural Resources; and (3) Governance, Support to Non-State Actors, as well as Capacity Building.

In addition, the NIP may be complemented by operations financed by the EIB from the Cotonou Investment Facility, the Investment Facility for the Pacific, and/or the EIB's Own Resources.

1. The overall lines for the EU response

1.1. Strategic objectives of the EU's relationship with the partner country

The European Union (EU) and the Cook Islands have over a decade long history of co-operation and partnership which started in June 2000. The *ACP-EU Partnership Agreement* will remain in force until 2020 and is centred on the objective of reducing, and eventually eradicating, poverty through sustainable development and gradual integration of ACP countries into the world economy.

Cooperation between the EU and Cook Islands shall therefore continue to pursue these objectives in keeping with the fundamental principles of the Agreement such as human rights, democratic principles, the rule of law, good governance, conflict prevention and resolution etc.

While a strong ownership of the country development strategy and the alignment of EU aid with this strategy will remain essential elements, the EU development approach set out in 2011 "EU agenda for change" and in the 2012 EU Communication "*Towards a renewed EU-Pacific development partnership*" will also be reflected. As a result, efforts will be made toward developing a more targeted delivery of aid to ensure maximum poverty reduction and to help address climate change challenges.

The EU 11th EDF programming and implementation is guided by the principle of alignment of the EU development strategy with the Cook Islands National Sustainable Development Plan (NSDP). The Plan sets the goals and strategies to achieve the Te Kavenga Nui, the country's 2020 visionary framework for development, to be implemented over 3 phases. The current NSDP 2011-2015 foresees among others the establishment of a sound system of governance, with effective and responsible economic and financial institutions, high investment in water and sanitation, and an inclusive development process respectful of the environment. Climate change is also identified as a key priority.

Against this background, the EU Strategic cooperation with the Cook Islands for the 11th EDF will be guided by the existing NSDP and its future revisions until 2020.

The EU response and National Indicative Programme may be complemented by operations financed by the EIB from the Cotonou Investment Facility and/or its Own Resources.

1.2. Choice of sector: Water and Sanitation

Within government efforts, the water and sanitation sector is supported by substantial programmes and is essential to promoting public health, achieving long term protection of the environment and promoting economic growth of the Cook Islands, notably by ensuring that all waste water is treated to the highest appropriate standards and disposed of in ways that minimises any residual effects. The National Sustainable Development Plan 2011-2015 objectives, under priority area six (ecological sustainability), seek to improve the management and quality of water resources through an integrated approach. This includes improvement in water quality through better sanitation, implementing a waste minimisation programme and providing appropriate facilities and incentives to support the purpose of achieving zero waste.



In addition implementing an ecosystem approach to the management of marine resources, developing and implementing interventions to ensure land use is sustainable and protecting the biodiversity and ecosystems of the Cook Islands will be key elements of the approach. This is also in line with the country's response to climate change challenges which foresees investments in activities that will reduce vulnerability and build resilience (NSDP priority area five).

Positive developments in the sector, notably a water partnership between New Zealand, China and Cook Islands, have led to the negotiations of funding agreements on a tripartite basis in December 2012. Sanitation co-ordination is somewhat different and complex insofar as agreement has yet to be reached identifying potential partners and a preferred sanitation option by Cook Islands government. The EU Sector Reform Contract (SRC) in Sanitation under the 10th EDF, which started in 2014, will go a long way to help set up a sanitation sector context conducive to additional support being provided for the sector.

Key challenges for water supply relate to the geographical dispersion, the consequent high cost of providing services to the islands and the general shortage of appropriate qualified staff in the sector. In recent years water supply has had considerable support both from the government and the development partners. The sector attracts the highest allocation of funds from the government capital expenditure of all sectors amounting to 15% of the national budget for capital expenditure. The lack of metering of production or consumption of water by users often lead to increased and wasteful consumption with little incentive to conserve water, particularly in Rarotonga. While water resources are scarcer in the outer islands, people are more inclined to conserve water.

Less support is however provided to the sanitation sector. While access to flush toilets has improved, poor quality of construction and lack of maintenance of septic tanks continue to present environmental challenges. The contamination of freshwater and lagoon pollution are key concerns. Furthermore, with the exception of the main island of Rarotonga, and of Aitutaki, there is no sewage treatment in the other outer islands. Government introduced sanitation and septic tank standards and regulations in 2008. However enforcement remains a problem due to lack of financial resources and human capacity.

EU's efforts in the water and sanitation sector will provide the needed support. This is expected to result in better public health, and children's health in particular, while protecting the environment and contributing to economic growth (NSDP result area 1) via an indirect positive effect on tourism, which is the country's leading economic sector. Without economic growth none of the other millennium developments goals, which the Cook Islands is set to achieve by 2015, will be maintained in the long run.

The preferred modality of intervention for the EDF assistance remains budget support, under a specific Sector Reform Contract, provided that the eligibility criteria so far met by the Government of the Cook Islands are maintained. Alternative funding options, in close coordination with other donors, can however also be considered in line with aid effectiveness principles.



Apart from focal sector support, there will be no specific measures to support non-focal areas of intervention. However, some EU support is foreseen during the 11th EDF, notably through political and policy dialogue, in areas relating to the participation of civil society in the policy dialogue and monitoring of national programmes, in addressing gender issues (in particular violence against women) and in the monitoring of public finance management reforms.

2. Financial overview (indicative amount)

Water and Sanitation	<i>EUR 1,4 million</i>	<i>100%</i>
Measures in favour of civil society	<i>0</i>	<i>0%</i>
Support measures	<i>0</i>	<i>0%</i>
TOTAL	<i>EUR 1,4 million</i>	<i>100%</i>

3 EU support per sector

3.1 Water and Sanitation (indicative amount EUR 1.4 million)

3.1.1 The following overall and specific **objectives** will be pursued:

In line with the national goal set in the National Sustainable Development Plan, the overall objective is to contribute to the sustainable economic growth of the Cook Islands, through a viable management approach of its natural resources and ecosystem.

The specific objective is to improve water quality through better sanitation measures. This objective is directly aligned to the priority area six of the National Sustainable Development Plan and has indirect positive impact on other key priority areas.

3.1.2. For the specific objective the main expected **result** is:

- (a) The Cook Islands sanitation policies and regulatory frameworks are strengthened, monitored and their compliance enforced, with due regard to the environment and the consequences of climate change.

The main indicators measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.



3.1.3. Donor coordination and policy dialogue

Donor coordination in the Cook Islands is effectively facilitated through the National Sustainable Development Commission (NSDC), the central authority supervising all government and development assistance activities and progress towards development outcomes. The Ministry of Foreign Affairs and Immigration is the political entry point for development partners, while the Ministry of Finance and Economic Management (MFEM) is the operational entry point for all partners to engage on the management and delivery of aid investments.

The National Aid Policy promotes aid effectiveness to ensure development assistance works for the long term interest of the people of the Cook Islands. Annual development partners' roundtable meeting since 2011 have provided opportunities to better understand Government's priorities and to co-ordinate development partner assistance.

The Government has a long established harmonized arrangement with New Zealand and Australia whereby both countries' assistance is managed by the New Zealand Aid Programme through a delegated management agreement. In 2009, the Asian Development Bank (ADB) also used a budget support modality in its economic recovery support program loans provided to offset the effects of the global economic crisis. A new EU funded energy facility will blend funds with ADB in the renewable energy sector in 2014.

None of the EU Member States have major aid programs in the Cook Islands however Italy has provided some limited assistance to the Cook Islands.

Sector coordination in the water and sanitation sector is regulated by the new policy for sanitation, adopted in December 2013. Donor coordination will be led by the National Sustainable Development Commission, in conjunction with the Water and Sanitation Department. Government and partners will review results on an annual basis during national development partner fora and at the occasion of sector coordination meetings.

3.1.4. The Government's financial and policy commitments are:

The government is committed to implementing its national development strategy and maintain the country's eligibility for budget support.

Maintaining a stable macro-economic framework. Although small and narrowly based, the Cook Islands economy is characterised as open and relatively strong. The Cook Islands is a self-governing country in free association with New Zealand. Its nationals are New Zealand citizens and as such, have open access to work and residency in New Zealand. This provides a greater degree of economic security than enjoyed by other Pacific countries.

The Government of Cook Islands is pursuing a sound macro-economic policy conducive to maintaining stability. The economy has recovered from the setback caused by the global economic crisis and the escalation in commodity prices, and the country has recorded a positive growth in the past two years.

The recovery has been determined by the strong growth in the tourism sector and by the economic reforms improving the efficiency of the public sector, reducing the levels of external debt and strengthening fiscal discipline.



Gross Domestic Product (GDP) has increased by 0.8% in 2012 and the growth rate is expected to continue to be positive in the medium term, according to the recent Asian Development Bank's macroeconomic assessment. The economy remains however highly vulnerable to external shocks and to the performances of the New Zealand and Australian economies, which affect tourism trends in the Cook Islands. Although the prospects for further development of non-tourism based industries are very limited, the Government is making efforts to develop a broader economic base, diversifying the economy, in particular by reviving the country's pearl industry.

Implementing a credible Public Financial Management (PFM) reform plan. In terms of Public Financial Management, a credible and relevant programme of improvements has been established. Despite constraint in human resources capacity in the country, the Government is implementing a robust Public Financial Management framework, addressing weaknesses in the financial systems. Recent reviews - such as the Public Expenditure and Financial Accountability (PEFA) self-assessment in 2013, the annual policy dialogues during development partner roundtable and the high level bilateral discussions – have confirmed progress. The Government is further committed to gradually increasing transparency and oversight of the budget.

Implementing the Sanitation Sector policy. The National Sustainable Development Plan provides a credible path towards the sustainable development of the country and contains key reference to the Sanitation Policy.

Along with the above mentioned National Sustainable Development Plan (NSDP) 2011 – 2015, Government commitment in the sanitation sector is then translated in the recent Cook Islands Sanitation Policy adopted in 2013. A number of mutually reinforcing documents further guide the policy direction for sanitation. These include the Ministry of Health Public Sewage Code 2008, the Public Health Sewage Regulations 2008, the Environment Act 2003, the Draft Integrated Water Resource Management Policy and the Waste Management Initiative 2011 – 2014.

The key Sanitation Policy focus is on public health and sustainable management of the environment, ensuring a safe and responsible management of wastewater. A comprehensive analysis of the costs for the sanitation sector has been carried out and a Sanitation Sector Plan was finalized at the end of 2013. The Sanitation Sector Plan operates on a rolling three years framework aligned to the national budget process, which attempts to capture all funding from donors and stakeholders to the sector, including a blend of grants and loans. Level of spending in the water and sanitation sector has more than doubled in the past year from EUR 1.2 million in financial year 2011/12 to EUR 3.1 million Euro in 2012/2013. In the medium term, this is further expected to increase up to EUR 12 million in financial year 2014/2015. The majority of funding will be managed through a blend of grant and loan finances with discrete donor projects for water (New Zealand grant, China and ADB Loans) and sanitation (New Zealand, Australia, EU grants).

- 3.1.5 When needed, the appropriate type of **environmental assessment** (Strategic Environmental Assessment or Environmental Impact Assessment) will be carried out.

The environmental assessment and climate risk assessment procedures in the Guidance for the Integration of Environment and Climate Change in European Commission Development Cooperation will be applied to determine the need for an environmental assessment and/or a Climate Risk Assessment. Even if an environmental assessment or a cumulative risk assessment is not deemed necessary, the screening questionnaire will help identify environmental and climate change (adaptation and mitigation) aspects that could be integrated in the project/programme formulation in order to enhance their environmental and climate change performance.

3.1.6 The overall **risk assessment** of the sector intervention:

The key risk associated with implementing the programme is government's ability to maintain its eligibility to receive EU budget support. However this risk is sufficiently mitigated by the solid path taken by the Government in past years to strengthen its macroeconomic and public financial management policies.

Government effectiveness to perform in public sector and service delivery in the sanitation sector is a further risk. However measures funded by the ADB are underway to strengthen the public sector reform program and the leadership capacities of the Water and Sanitation Department in the water, waste and sanitation sector.

Finally, the major risk in a small island like the Cook Islands remains the high level of vulnerability to exogenous shocks and disaster, which potentially have a large impact on the economy and the population. Possible natural hazards include typhoons, droughts, earthquakes, tsunamis, floods, storm surges and landslides. Human induced hazards include epidemics, oil spills, transportation accidents, fire, and loss of life at sea, among others. Whilst disasters in the past have been, and are most likely to remain natural, increasingly human-induced or technological disasters are expected to occur. Furthermore, climate change, which is likely to result in sea level rise and increased intensity of tropical cyclones, is a particular concern. While efforts are being by Cook Islands to develop its resilience, the free association agreement between the Cook Islands and New Zealand also provides a buffer mechanism to mitigate those risks.

4. **Measures in favour of civil society**

Specific measures for support to civil society organizations are not set aside. An active participation of civil society in the programming and implementation of the EU support will however be ensured. Involvement of civil society will be monitored through the regular policy and political dialogue between the EU and the Cook Islands.

5.1. **B-allocation**

A B-allocation may be included in the NIP for unforeseen needs (specifically relevant for fragility situations). This allocation is at EUR 0 until a need arises. In case of necessity, a Financing Decision to meet an unforeseen or urgent need can always be taken notwithstanding the status of the indicative B-allocation mentioned in the NIP.

6. **Support measures**

6.1. **Measures to support or accompany the programming, preparation or implementation of actions**

Measures in support of the EU National Indicative Program will be funded by the Government of the Cook Islands' budget and not as a stand-alone allocation of the NIP.



6.2. Support to the National Authorising Officer

Measures in support to the National Authorising Officer will be funded by the Government of the Cook Islands' budget and not as a stand-alone allocation of the NIP.

Attachments

1. Country at a glance
2. Donor matrix showing the indicative allocations per sector
3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds



Annex I: Cook Islands Key Macro- Economic and MDG Indicators

		Key macro-economic indicators Fiscal Years								
		2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Basic data										
1	Population (in 1000)	21.900	22.600	23.700	19.300	19.500	20.629	20.732	20.833	20.936
	annual change in %	4.3	3.2	4.9	-18.6	1.0	5.8	0.5	0.5	0.5
2a	Nominal GDP (in millions EUR)	146	183	201	223	244	245	256	250	258
2b	Nominal GDP per capita (EUR)	6,651	8,117	8,472	11,542	12,537	11,856	12,350	11,989	12,347
2c	annual change in %	-19.0	22.0	4.4	36.2	8.6	-5.4	4.2	-2.9	3.0
3	Real GDP (annual change in %)	-3.5	4.1	0.8	0.7	1.1	0.5	-0.6	-2.4	0.4
4	Gross fixed capital formation (in % of GDP)	15.3	11.6	12.2	13.0	12.3	-	-	-	-
Balance of payments										
5a	Exports of goods (in % of GDP)	4.4	1.7	1.4	1.0	1.0	0.9	0.9	0.9	0.9
	of which the most important: (in % of exports)									
	<i>fish</i>	45.3	52.6	59.6	80.6	69.3	69.2	69.2	69.2	69.2
		2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
	<i>pearls</i>	29.4	26.9	12.3	16.6	14.9	14.9	14.9	14.9	14.9
	of which share of regional trade (in % of exports)	0.7	0.4	0.3	0.2	0.1	0.2	0.2	0.2	0.2
5b	Imports of goods (in % of GDP)	41.1	36.1	37.5	38.3	36.4	34.6	33.9	33.7	32.5
	of which share of EU imports (in % of imports)	0.0016	0.0048	0.0004	0.0012	-	-	-	-	-
5c	Trade balance (in % of GDP)	-72.6	-99.6	-36.1	-37.2	-35.9	-34.3	-33.7	-33.8	-32.6
6	Export of services (in % of GDP)	72.9	71.6	70.9	56.2	57.5	58.5	60.5	63.8	65.1
	of which the most important: Tourism (in % of exports)	-	-	-	-	-	-	-	-	-
6a	Current account balance (in % of GDP)	-	-	-	-	-	-	-	-	-
7	Net inflow of remittances (in % of GDP)	-	-	-	-	-	-	-	-	-
8	Net inflows of foreign direct investment (in % of GDP)	-	-	-	-	-	-	-	-	-
9	External debt (in % of GDP)	20.0	25.7	20.8	23.8	22.5	21.3	21.2	19.7	19.1
		2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
10	Service of external debt (in % exports goods + services)	2.2	1.7	0.7	1.1	1.7	2.3	2.2	2.2	2.0
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	-	-	-	-	-	-	-	-	-
Trade capacity										
12	Average cost to export (USD per container)	-	-	-	-	-	-	-	-	-
13	Global competitiveness index	-	-	-	-	-	-	-	-	-
Government budget										
14	Revenues (in % of GDP)	40.3	44.9	39.2	41.4	41.2	43.8	38.6	35.2	35.1
	of which: grants (in % of GDP)	2.2	5.4	9.6	12.1	12.3	14.7	8.7	5.4	5.2
	of which: external tariff income (in % of GDP)	2.0	2.9	3.1	3.2	3.4	3.8	3.7	3.4	3.7
15	Expenditure (in % of GDP)	42.6	42.8	28.9	34.8	34.1	32.6	32.8	32.6	31.5
		2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
	of which: capital expenditure (in % of GDP)	10.8	5.8	1.3	3.3	6.2	4.1	5.9	0.0	0.0
16	Deficit/Surplus (including grants in % of GDP)	-2.2	2.0	10.3	6.7	7.1	11.2	5.8	2.6	3.6
16a	Deficit/Surplus (excluding grants in % of GDP)	-2.6	1.4	0.8	-0.7	-0.7	-0.5	-5.5	-5.3	-4.1
	Grants (in % of total revenue)	5.4	12.1	24.4	29.2	30.0	33.5	22.4	15.3	14.8
17	Total (domestic+ external) debt (in % of GDP)	20.6	32.1	26.5	28.9	24.9	25.3	25.0	23.8	21.8
17a	Loan Reserve Fund (in % of GDP)	6.3	6.4	5.7	5.1	4.2	4.0	3.6	3.3	2.6
Monetary policy										

18	Consumer price inflation (annual average rate in %)	10.3	1.8	2.1	2.8	2.6	4.6	2.9	3.1	3.1
19a	Commercial Bank Lending Rates (annual average rate in %)	-	-	-	-	-	-	-	-	-
19b	Deposit Rates (annual average rate in %)	-	-	-	-	-	-	-	-	-
		2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
20	Exchange rate: annual average national currency / 1 EUR	2.3	1.9	1.8	1.7	1.6	1.7	1.6	1.7	1.7

Sources-Cook Islands

1. Population: UNDESA United Nations Department of Economic and Social Affairs, Population Division, Populations Estimates and Projections Section (UNDESA). Website: <http://esa.un.org/unpd/wpp/Excel-Data/population.htm>
2. Nominal GDP: Government of Cook Islands – various published National Budget Estimates and Projections. The exchange rates used to convert NZD valued nominal GDP into Euros are from the ECB: website http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=120.EXR.A.NZD.EUR.SP00.A - historical bilateral period average exchange rates, while the forecasts used are from the Consensus Forecasts (December 2013).
3. Real GDP: Historical and forecasts from the various Economic Statistics releases from the Cook Islands Statistics Office and the Government of Cook Islands' annual National Budget Estimates.
4. Gross Formation: United Nations (UNdata): <http://data.un.org/Default.aspx>.
5. Data on Balance of Payments (5 – 11) sourced from various statistical publications from the Cook Islands Statistics Office, while forecasts are from Government of Cook Islands' National Budgets (various years).
6. Data on trade with the EU has been sourced from the Eurostat Database: <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/regions/>
7. Data on Government Budget (14-17a) sourced from various statistical publications from the Cook Islands Statistics Office, while forecasts are from Government of Cook Islands' National Budgets (various years).
8. Row 18 Data on inflation has been sourced from the various statistical publications from the Cook Islands Statistics Office, while forecasts are from Government of Cook Islands' National Budgets (various years).
9. Exchange rate data are period averages from the European Central Bank website: <http://sdw.ecb.europa.eu/browse.do?node=2018794> while the forecasts are from the December 2013 publication of Consensus Forecasts from Consensus Economics: <http://www.consensuseconomics.com/>.
10. For the MDGs and development indicators, additional information is provided in the attached excel file (which shows data sources in the 'comments').

W.L.

KEY MDG AND DEVELOPMENT INDICATORS

Key indicators		1990	2000	2008	2009	2010	2011	2012	2013	2014	2015 Expected Achievements (On-Track/Off-Track/Mixed/Insufficient information/Not Applicable)	2015 Original Goals
1	Proportion (%) of population below 1\$/day in PPP [Source: PIFS 2010 & 2013 MDG Report (for 1990, 2000 & 2008 based on National Basic Poverty needs)]	25.5	34.4	28.4	...	...	...	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 1.A - Poverty not a problem. High GDP per capita. Citizens have access to NZ job markets and welfare systems. Good access to essential services. But income inequality between Rarotonga (main island – tourist-based economy) and outer islands (subsistence economy). Government committed to developing outer islands. [Source: PIFS 2013 MDGs Report, pg 13]	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
2	Prevalence (%) of underweight children under age 5 [Source: PIFS 2010 MDG Report]	15.0	7.0	7.0	...	...	...	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 1.C Hunger is not an issue. Major concern is not with underweight children but with overweight children. [Source: PIFS 2013 MDGs Report, pg 13]	Halve, between 1990 and 2015, the proportion of people who suffer from hunger
3	Under 5 child mortality (per 1,000 live births) [Source: http://mdgs.un.org/unsd/mdg/data.aspx]	24.9	17.4	12.1	11.7	11.3	10.9	10.6	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 4.A National target is to maintain a low under-five mortality rate. Both the U5M and IM rates have declined in the review period, consistent with the increase in the measles immunization coverage. Child mortality rates significantly low compared to international standards. Public health care for children up to 16 years of age is free. Major challenge is provision of quality health services to the outer islands. [Source: PIFS 2013 MDGs Report, pg 13]	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
4	HIV Prevalence in Population aged 15-24 (%) [Source: PIFS 2013 MDG Report]	0.0	0.0	...	...	0.0	...	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 6.A Zero reported cases but high prevalence of STIs, and coupled with low condom use, mobility of residents and high number of tourists, the spread of HIV/AIDS is still a risk. [Source: PIFS 2013 MDGs Report, pg 13]	HIV have halted by 2015 and begun to reverse the spread of HIV and AIDS
5	Births attended by skilled health personnel (%) [Source: http://mdgs.un.org/unsd/mdg/data.aspx (for 1991 used for 1990; for 2001 used for 2000 & 2003)]	99.0	98.0	100.0	...	...	...	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 5.B Skilled birth attendance generally high. Although low by international standards. [Source: PIFS 2013 MDGs Report, pg 13]	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
6	Children 1 year old immunized against measles (%) [Source: http://mdgs.un.org/unsd/mdg/data.aspx]	67.0	76.0	95.0	78.0	99.0	89.0	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 4.A National target is to maintain a low under-five mortality rate. Both the U5M and IM rates have declined in the review period, consistent with the increase in the measles immunization coverage. Child mortality rates significantly low compared to international standards. Public health care for children up to 16 years of age is free. Major challenge is provision of quality health services to the outer islands. [Source: PIFS 2013 MDGs Report, pg 13]	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

7	Total net enrolment ratio in primary education, both sexes [Source: PIFS 2010 & 2013 MDG Report (for 1990, 2011) & http://mdgs.un.org/unsd/mdg/data.aspx (for 2000, 2008, 2010)]	99.4	94.3	98.7	...	98.4	98.0	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 2.A Long history of providing free and compulsory basic education dating back to 1896. Net enrolment rates and literacy rates high. Recent decline in the survival rate to the last grade in primary education was due to outmigration. Government focussed on improving the quality of education. [Source: PIFS 2013 MDGs Report, pg 13]	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
8a	Gender Parity Index in primary level enrolment [Source: PIFS 2013 MDG Report (for 1990) & http://mdgs.un.org/unsd/mdg/data.aspx (for 2000, 2009, 2010, 2011)]	0.98	1.01	...	1.07	1.02	1.03	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 3. A Gender parity in education achieved – more girls attending secondary school. Women’s economic participation increasing but concerns over pay disparities. Low representation in parliament, as women face several challenges from entering politics, including lack of time and financial resources, weak social capital and deep-rooted beliefs that politics are the domain of men. National Gender Policy in place since 1995. [Source: PIFS 2013 MDGs Report, pg 13]	Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
8b	Gender Parity Index in secondary level enrolment [Source: PIFS 2013 MDG Report (for 1990) & http://mdgs.un.org/unsd/mdg/data.aspx (for 2000, 2009, 2010, 2011)]	1.12	1.14	...	1.13	1.10	1.20	...	...	...
8c	Gender Parity Index in tertiary level enrolment [Source: PIFS 2013 MDG Report (for 1990, 2000) & http://mdgs.un.org/unsd/mdg/data.aspx (for 2008, 2009, 2010, 2011)]	86	100	0.00	0.00	0.00	0.00	...	...	...
9	Percentage of pupils starting grade 1 who reach last grade of primary, both sexes [Source: PIFS 2010 & 2013 MDG Report]	82.1	99.9	...	...	75.0	...	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 2.A Long history of providing free and compulsory basic education dating back to 1896. Net enrolment rates and literacy rates high. Recent decline in the survival rate to the last grade in primary education was due to outmigration. Government focussed on improving the quality of education. [Source: PIFS 2013 MDGs Report, pg 13]	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
10	Population with sustainable access to improved water source (%) [Source: http://mdgs.un.org/unsd/mdg/data.aspx]	100.0	100.0	100.0	100.0	100.0	100.0	...	...	...	ON TRACK TO ACHIEVE THIS GOAL. TARGET 7.C Although recent data not available, access to safe drinking water and basic sanitation considered to be high. Major issues include addressing leakage/wastage of reticulated water and tackling water quality issues from septic tank leakage. [Source: PIFS 2013 MDGs Report, pg 13]	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
11a	Fixed telephone lines per 100 inhabitants [Source: http://mdgs.un.org/unsd/mdg/data.aspx]	16.98	31.86	33.44	34.09	35.63	36.47	37.88	...	...	...	...
11b	Mobile cellular subscriptions per 100 inhabitants [Source: http://mdgs.un.org/unsd/mdg/data.aspx]	0.00	3.10	33.34	34.49	38.46	46.74	54.07	...	...	...	...
11c	Internet users per 100 inhabitants [Source: http://mdgs.un.org/unsd/mdg/data.aspx]	0.00	15.66	25.41	30.29	35.71	44.00	52.21	...	...	...	...
12	Cost of business start-up procedures (% of GNI per capita) [Source: http://data.worldbank.org/country]	...	...	...	...	...	...	...	...	...	...	...
13	Time required to start a business (days) [Source: http://data.worldbank.org/country]	...	...	...	...	...	...	...	...	...	...	...
14	Real GDP per capita, PPP (constant 2005 international \$) [Source: https://www.cia.gov/library/publications/the-world-factbook/geos/cw.html (2005 data used for 2008)]	...	...	9100	...	...	...	...	...	...	...	...
15	Access of rural population to an all season road [http://www.quandl.com/browse/worldbank/international-

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	development-association-results-measurement-system/access-to-an-all-season-road-of-rural-population-all-countries]											
16	Household electrification rate [http://www.quandl.com/society/household-electrification-rate-all-countries]	...	...	...	...	...	...	...	...	...	...	...
17	Unemployment (in % of labour force, ILO def.) [Source: https://www.cia.gov/library/publications/the-world-factbook/geos/cw.html (2005 data used for 2008)]	...	...	13.1	...	...	...	...	...	...	...	...
18	Employment in agriculture (in % of total employment) [Source: https://www.cia.gov/library/publications/the-world-factbook/geos/cw.html (1995 data used for 2000)]	...	29.0

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Annex II : Cook Islands Donors' Matrix (NZ Dollars)

Sector	Donor	Project	2013		2014		2015		2016	
			Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
			Full Year	Full Year	Full Year	Full Year	Full Year	Full Year	Full Year	Full Year
Agriculture		Total	223,200.00	75,241.00	581,500.00	0.00	38,500.00	0.00		
	FAO	Agriculture Census and Statistics, Food and Ornamental Crop	223,200.00	0.00	223,200.00	0.00				
	FAO	Forestry Assessment Project			83,000.00	0.00				
	FAO	Crop Enhancement Technical Cooperation			236,000.00	0.00				
	INDIA	Mauke Boar Project		20,250.00						
	INDIA	Mauke Womens Taro Project	0.00	54,991.00						
	SPC	SPC - Water-logging Project	0.00	0.00	30,000.00	0.00	38,500.00	0.00		
	SPC	SPC-Taro Revitalisation program			9,300.00	0.00				
Climate Change		Total	1,230,975.00	306,700.69	1,262,000.00	198,444.60	170,000.00	0.00	170,000.00	0.00
	Australia Adaptation	Climate Change		-179.00						
	Australia Adaptation	Pilot Integration		-11,124.00						
	Australia Adaptation	Institutional Structure Development	124,250.00	101,618.83						
	Australia Adaptation	Coastal Adaptation	396,500.00	112,321.05		183,177.37				
	Australia Adaptation	Piloting V & A	124,750.00	85,230.24		3,272.62				
	EU	Global Climate Change Adaptation SPCEU Project	300,000.00	18,833.57	465,000.00	11,994.61				
	EU	Global Climate Change Adaptation	285,475.00	0.00						
	Global Environmental Fund	National Adaptation to CC (3rd Nat Com & 3-4 Nat Rept)			60,000.00	0.00	170,000.00	0.00	170,000.00	0.00
	Global Environmental Fund	Pacific Adaptation to CC (PACC+) Cook Is	0.00	0.00	737,000.00	0.00				
Civil Society		Total	851,258.00	317,805.08	765,000.00	160,000.00	600,000.00	0.00	600,000.00	0.00
	INDIA	Rakahanga Island Council	0.00	12,432.00						
	NZAid	Social Impact Fund (NGO and community initiatives scheme)	851,258.00	305,373.08	765,000.00	160,000.00	600,000.00	0.00	600,000.00	0.00
Community services		Total	558,000.00	171,615.63	150,000.00	237,377.66	150,000.00	0.00	150,000.00	0.00
	INDIA	India Grant Fund	558,000.00	156,588.60	150,000.00	237,377.66	150,000.00	0.00	150,000.00	0.00
	INDIA	Avatiu Tapere Meeting Hse & Clinic		15,027.03		0.00				
Disaster Risk Management		Total	18,201.85							

	EU	Pukapuka Cyclone Centre		3,618.85						
	Pacific Island Forum	Aitutaki Recovery Project		14,583.00						
E		Total	3,853,000.00	3,309,000.00	3,298,018.29	1,718,018.29	3,375,000.00	0.00	3,375,000.00	0.00
	INDIA	Cook Is Library and Museum		30,000.00						
	NZAid	Education Sector Partnership	3,853,000.00	3,279,000.00	3,270,000.00	1,690,000.00	3,375,000.00	0.00	3,375,000.00	0.00
	UNESCO	The Canoe is the People			28,018.29	28,018.29				
E		Total	4,544,000.00	953,411.05	13,265,347.00	203,372.78	3,512,150.00	0.00	0.00	0.00
	ADB	Promoting Energy Efficiency in the Pacific	540,000.00	0.00	409,347.00	0.00	112,150.00	0.00		
	ADB	Renewable Energy TA (Feasibility)			570,000.00	0.00				
	EU	Energy Facility: Renewable Energy and Energy Efficiency Programme	3,263,800.00		3,263,800.00				1,795,090.00	
	NZAid	Renewable Energy program support	2,500,000.00	924,652.52	6,280,000.00	179,340.35	3,400,000.00	0.00	0.00	0.00
	NZAid	Atlu Generator Renewable Energy			209,000.00	0.00				
	PEC Japan	PV Mini grids	1,260,000.00	28,758.53	3,390,000.00	24,032.43				
	SIDS Dock	Energy Transformation			2,330,000.00	0.00				
	SPREP	Power sector study, EIA, verifications (PIGGAREP)	244,000.00	0.00	77,000.00	0.00				
E		Total	7,807,800.00	953,411.05	16,529,147.00	203,372.78	3,512,150.00	0.00	1,795,090.00	0.00
	Commonwealth Secretariat	Seabed Mining Authority			95,000.00	0.00				
	Global Environmental Fund	Prevention, control and management	126,000.00	34,151.66	162,000.00	13,856.99	85,600.00	0.00	72,000.00	0.00
	Global Environmental Fund	Conservation Management of Island Biodiversity	168,000.00	34,673.78	225,000.00	12,284.58	135,800.00	0.00		
	Global Environmental Fund	Monitoring of Ozone Depletion Substance			70,000.00	0.00	70,000.00	0.00	70,000.00	0.00
	Italy	National adaptation to CC(2nd Nat Com & 3-4 national report)			0.00	0.00	0.00	0.00	0.00	0.00
	SPREP	NES-Invasive Spp Project		0.00		0.00				
	SPREP	Impl Island Biodiversity Prog of Work		0.00						
	UNDP	Building Capacity for Sustainable Land management	30,000.00	97,826.74	0.00	0.00	0.00	0.00		
	UNDP	Persistent Organic Pollutants POPs	21,500.00	15,281.80						
	UN Adaptation Funds	COP 18 Conference-Doha		12,729.53						
E		Total		788.00		70,494.50				
	NZAid	Aitutaki Recovery and Reconstruction plan		788.00		70,494.50				
E		Total	150,000.00	70,914.00	727,530.00	0.00	361,570.00	0.00	246,000.00	0.00
	Ausaid	Disability Inclusive Development			136,530.00	0.00	115,570.00	0.00		

	UNFPA	UNFPA Strengthening Reproductive Health		70,914.00	0.00	0.00	0.00	0.00	0.00	0.00
	WHO	Strengthening Reproductive Health	150,000.00	0.00	345,000.00	0.00	0.00	0.00		
	WHO	Technical Cooperation Programme			246,000.00	0.00	246,000.00	0.00	246,000.00	0.00
Infrastructure		Total	15,409,176.00	113,794.22	19,423,981.71	426,779.43	17,785,000.00	0.00	15,085,000.00	0.00
	ADB	ADB Asset Management Technical Assistance			200,000.00	0.00	200,000.00	0.00		
	Ausaid/SPREP	Mangala Harbour Climate Adaptation			610,000.00	0.00				
	China	China grants in kind	7,220,000.00	0.00	11,000,000.00	0.00	14,000,000.00	0.00		
	CI Gov	Cook Islands Red Cross Centre		19,645.63						
	Global Environmental Fund	UNCCD Data Reporting Project			57,000.00	0.00				
	NZAid	Te Mato Val	8,000,000.00	94,148.59	7,500,000.00	403,261.45	3,500,000.00	0.00	15,000,000.00	0.00
	UNESCO	Participation Program	189,176.00	0.00	56,981.71	23,517.98	85,000.00	0.00	85,000.00	0.00
Local government		Total	249,000.00	32,722.13		14,327.83				
	Ausaid	Pacific Forum Leaders Meeting	209,000.00	0.00						
	UNDP	Community Centered Sustainable Development plans	40,000.00	32,722.13		14,327.83				
Law & Order		Total	995,838.00	454,106.46	855,000.00	0.00	855,000.00	0.00		
	Australian Federal Police	CI Police Service HR development	60,000.00	0.00						
	NZAid	Police Development Programme			600,000.00	0.00	600,000.00	0.00		
	NZAid	Automated Border Management System	735,838.00	454,106.46	135,000.00	0.00	135,000.00	0.00		
	NZDF	Te Kukupa TA, operations	200,000.00	0.00	120,000.00	0.00	120,000.00	0.00		
Marine Resources		Total	1,021,000.00	62,275.25	2,699,000.00	228,385.40	2,582,000.00	0.00	2,200,000.00	0.00
	Australian Regional	CI Fisheries Initiative (CIFI)	226,000.00	0.00						
	Commonwealth Secretariat	Commissioner, legislation, TA	170,000.00	0.00	0.00	0.00	20,000.00	0.00		
	FFA	Fisheries Project Development Fund	362,000.00	0.00	362,000.00	0.00	362,000.00	0.00		
	Global Environmental Fund	Ridge to Reef			100,000.00	0.00	2,200,000.00	0.00	2,200,000.00	0.00
	NZAid	Pearl Industry Revitalisation	263,000.00	62,275.25	2,237,000.00	228,385.40				
Multi sector		Total	2,660,000.00	274,837.91	2,708,585.00	158,287.10	1,151,560.00	0.00	807,000.00	0.00
	UN Adaptation Funds	Strengthening Resilience of Island Communities	2,660,000.00	274,837.91	2,708,585.00	158,287.10	1,151,560.00	0.00	807,000.00	0.00
Public Administration		Total	2,217,096.00	1,681,118.78	2,183,000.00	509,297.94	580,000.00	0.00	80,000.00	0.00
	ADB	Improve infrastructure service delivery technical assistance	264,000.00	100,113.04	0.00	0.00	0.00	0.00		
	ADB	Public Sector Reform TA Support	300,000.00	424,694.93	900,000.00	0.00	500,000.00	0.00		
	China	PRC Grant			20,000.00	0.00				

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	EU	EU TCF	80,000.00	67,129.84						
	Korea	Cars (3) and computers (16)	0.00	0.00	121,000.00	0.00				
	NZAid	Technical Assistance		91,829.56						
	NZAid	Online Companies Registry		675.00						
	NZAid	CI Technical Assistance Facility (PSTAF)	1,300,000.00	888,293.45	1,000,000.00	347,591.84				
	NZAid	Aid Effectiveness	205,000.00	107,407.67	62,000.00	15,321.65				
	NZAid	MFEM Catch Up Accounts		0.00		61,282.75				
	Pacific Island Forum	Pac Forum Sec Small Island States	68,096.00	0.00						
	UNESCO	Digitisation of the National Archives	0.00	975.29		27,911.17				
Social welfare		Total	2,217,096.00	1,681,118.78	2,103,000.00	452,107.41	500,000.00	0.00	0.00	0.00
	ADB	Social welfare review, protection of the vulnerable	854,000.00	465,013.49	390,000.00	0.00	100,000.00	0.00	0.00	0.00
	Ausaid	12 Triennial Conference of Pacific Women				37,780.00				
	SPC	SPC Small Grants			20,000.00	0.00	20,000.00	0.00	20,000.00	0.00
	UNDP	TRAC Funds			242,000.00	0.00				
Tourism		Total	3,000,000.00	3,818,054.00	3,000,000.00	1,300,000.00	2,000,000.00	0.00		
	NZAid	Tourism Sector Support	3,000,000.00	3,818,054.00	3,000,000.00	1,300,000.00	2,000,000.00	0.00		
Transport		Total	835,000.00	3,067,869.40	260,000.00	-28,894.33	650,000.00	0.00	0.00	0.00
	Australian Adaptation	Penrhyn Coastal Harbour upgrade					650,000.00	0.00		
	NZAid	Mauke & Mitiaro Harbours	0.00	1,589,758.47	260,000.00	2,070.00				
	NZAid	Alternative Jetty at Arorangi	0.00	1,477,747.93		-30,964.33				
	UNDP	Pacific Adaptation to Climate Change (PACC+) Cook Islands	835,000.00	363.00	0.00	0.00	0.00	0.00	0.00	0.00
Water and Sanitation		Total	8,580,000.00	2,350,715.93	6,035,000.00	1,212,835.93	5,695,225.00	0.00	6,158,000.00	0.00
	Australian Adaptation	Northern Water-Community water tank upgrades(2011 carry fwd)	650,000.00	0.00	650,000.00	0.00	0.00	0.00		
	Australian Adaptation	Mangala water upgrades	650,000.00	0.00	0.00	0.00				
	EU	Water & Sanitation General Budget Support	0.00	0.00	1,631,900.00	0.00	2,447,850.00	0.00	2,284,660.00	0.00
	INDIA	Takuvaine Sports Club Water Project	0.00	5,195.00						
	NZAid	Northern Water Improvement program - Household supply	0.00	114,044.29	630,000.00	177,360.93				
	NZAid	Waste Management and Sanitation improvement program	3,000,000.00	2,231,476.64	2,955,000.00	750,000.00	4,000,000.00	0.00	4,000,000.00	0.00
	SOPAC	Integrated Water Resources Management (IWRM)	200,000.00	0.00	200,000.00	0.00	0.00	0.00		

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Total		4,500,000.00	2,350,715.93	6,066,900.00	927,360.93	6,447,850.00	0.00	6,284,660.00	0.00
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Annex III: Sector Intervention Framework and Performance Indicator

Sector 1: Water and Sanitation		
Specific objective 1: To improve water quality through better sanitation measures		
Expected Results	Indicators	Means of verification
a) The Cook Islands sanitation policies and regulatory frameworks are strengthened, monitored and their compliance enforced, with due regard to the environment and the consequences of climate change	a1) 80% of all onsite wastewater treatment and disposal systems upgraded and complying with relevant international standards, by 2020. (Baseline : 5% in 2014. Source: Water and Sanitation Department)	Sanitation Policy Action plan review data, from inspection, upgrading, certification of systems Baseline data set by Government.

ANNEX IV : Indicative Timetable for Commitments

	Indicative allocation (million EUR)	2014	2015	2016	2017	2018	2019	2020
SECTOR – Water and Sanitation				1.4				
<i>For ACP:</i>								
Other measures (support to civil society)								
B- allocation								
Support measures								
• Measures to support or accompany the programming, preparation or implementation of actions								
• Support to the National Authorising Officer								
Total Commitments				1.4				

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