



**Governing Council  
of the  
United Nations  
Development Programme**

Distr.  
GENERAL

DP/CP/CKI/2  
25 March 1986

ORIGINAL: ENGLISH

Thirty-third session  
2-27 June 1986, Geneva  
Item 5 (b) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

SECOND COUNTRY PROGRAMME FOR THE COOK ISLANDS\*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
1987-1991	IPF for 1987-1991	1 120 000
	Other resources programmed	<u>394 750</u>
	<b>Total</b>	<b>1 514 750</b>

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES ...	1 - 16	2
A. Current economic trends .....	1 - 10	2
B. National development strategies .....	11 - 13	4
C. Technical co-operation priorities .....	14 - 16	4
II. THE COUNTRY PROGRAMME .....	17 - 36	5
A. Assessment of current country programme ...	17 - 19	5
B. New programme proposal .....	20 - 35	6
C. Unprogrammed reserve .....	36	8
Annex: Financial summary		

\*Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) continuing projects; (b) proposed projects; (c) distribution of resources by sector.

## I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

### A. Current economic trends

1. The Cook Islands is a small country and its widely scattered population of 18,000 has declined from an estimated 21,300 in 1971. It is a self-governing State in free association with New Zealand. All Cook Islanders have free right of access to and citizenship of, New Zealand. The 15 islands have a combined land area of about 236 square kilometres and are spread over a vast area of ocean totalling almost 2 million km<sup>2</sup>.

2. The small size of the population and the land area necessitate intensive production techniques for the Cook Islands' land-based economic activities to be viable. The large Exclusive Economic Zone, on the other hand, provides long-term opportunities for adopting extensive production techniques in developing the nation's marine resources.

3. The geographical spread of the islands leads to high internal transport costs (requiring large subsidies) as well as high administration costs. Remoteness from the large metropolitan centres means high international transport costs and precludes easy access to markets.

4. The Cook Islands has no exploitable mineral or energy resources. Similarly, there are no forests although reforestation of the islands of Atiu and Mangaia for conservation purposes has been started and will continue during the second development plan. The country has no natural resource base other than that represented by the fertile soil in the Southern Group and marine resources (both fish and deep-sea minerals).

5. Added to the above natural problems are those of an economic and institutional nature. As a small developing island nation with low levels of national income the Cook Islands cannot generate the capital funds required for development. Industrial growth and diversification are severely circumscribed by the small and fragmented domestic market and paucity of industrial raw materials and skills. Labour is relatively expensive and in short supply owing to persistent heavy emigration, while the present land tenure system inhibits efficient land use. The trade pattern, reflecting historical ties and shipping links, is heavily oriented towards a single market, New Zealand. Being a part of the New Zealand monetary system, the Cook Islands is limited in its use of certain fiscal and monetary techniques (e.g. exchange rate adjustments) for economic management and development purposes.

6. During the last 10 years significant changes have taken place in the structure of the Cook Islands' economy which, among other things, have reduced productive capacity. This has been reflected in downward trends in trade, gross domestic product (GDP) and personal income. From the early 1970s, population, and in particular its economically active component, declined as a direct result of heavy emigration to New Zealand. Over the same period the economy underwent significant structural changes, reducing the role of the "productive" primary sector to the point where the economy in the beginning of the 1980's had become heavily service-based. GDP originating in the public services sector remained

fairly stable in real terms while its relative share rose markedly from 23.5 per cent in 1970 to 33.8 per cent in 1983. The rise in the share of the service sectors as a whole is due to growth in the trade, hotels and restaurants component and the less than proportionate fall in GDP originating from public administration and other services as a whole. The decline of the productive sectors means that the domestic base for supporting the expansion of the service sectors has been undermined. However, economic activity has been sustained to a significant degree by receipts and earnings from such sources as aid funds (mainly from New Zealand), the sale of stamps and coins, tourism and remittances from expatriate Cook Islanders.

7. World inflation, transmitted to the Cook Islands chiefly through imports and shipping charges, has had a significant impact on the economy. It has led to high rates of local inflation (averaging 16.5 per cent in 1976-1981 period and 13.2 per cent in 1984) which has affected living costs and created problems for policy-making and the sectoral distribution and flow of resources. It has also meant, when measured against the generally static prices received for exports, a marked deterioration in the country's terms of trade and a growing trade gap between commodity exports and imports, substantially in favour of the latter. Unfavourable terms of trade have reduced real national income.

8. While the early 1970s saw a continuing decline in the value of exports despite heavy subsidy of the major crops, total export value recovered sharply in 1979 when it reached \$3.8 million and again in 1981 when it grew to \$5.14 million. This recovery was spearheaded by garments, copra, bananas, and other fresh fruit and vegetables. A temporary decline was experienced in 1982 and 1983 mainly due to the lack of airfreight capacity for fresh fruit and vegetable exports to New Zealand in 1982 and the drought of 1981/1982. In 1984, however, exports increased to \$NZ 6.5 million. Apart from garments, fresh fruit and vegetables, copra experienced a substantial increase in 1984 as a result of favourable world market prices, the drought in the Philippines (a leading copra supplier) and the improvement in shipping services to the Northern Group.

9. In the tourism sector, visitor arrivals peaked at 21,051 in 1980. The figure for 1982 (17,500 arrivals) indicates a decline in visitor arrivals of 17 per cent, attributable largely to a decline in international air services. Since the maintenance of an acceptable level of international air services in late 1982 and the commencement of a marketing programme for the Cook Islands, the momentum in the expansion of the tourist sector has been regained and the 1984 figure (25,600) shows a considerable increase of 30 per cent from 19,500 arrivals in 1983.

10. Recently introduced Government policies to stimulate business investment are beginning to take effect. In 1980 several measures were taken both to broaden the tax base so as to increase revenue and to provide incentives for the private sector. A turnover tax was introduced at rates of 6 per cent for retail and 1 per cent for wholesale activities. The import levy was raised from 7.5 per cent to 10 per cent. At the same time, in order to stimulate business investment, company tax rates were lowered and tariff rates reduced on a number of selected imports.

/...

Company tax rates were reduced from 35 per cent to 17.5 per cent for non-resident companies. A special tax rate of 5 per cent was introduced for development companies with a potential in terms of export earnings, import savings, and high value-added capacity. On 1 January 1985, a departure tax of \$NZ 20 came into effect.

#### B. National development strategies

11. A key element in the general development strategy is the creation of a favourable climate for private sector investment. This will be done, in part, by restraining the growth of Government to enable resources to flow into productive private sector areas. In addition, the Government will concentrate on improving basic support services such as transport, electric power supply, telecommunications, market research and training. More funds are to be made available to the Cook Islands Development Bank in recognition of the important role which this institution plays in private sector development. Finally, fiscal and related incentives will continue to be made available to encourage industrial development.

12. The total projected costs for the Cook Islands' development budget for 1985/1986 is estimated at \$NZ 14 million, of which \$NZ 7 million are to be provided through external aid sources. The major part of the external assistance derives from New Zealand and Australian bilateral aid programmes. Both programmes emphasize infrastructural development in areas such as harbour development, energy and water supply and telecommunications. Recently the programmes have also supported the development of the private sector. The New Zealand bilateral aid programme contributes around \$NZ 2.5 million a year to the Cook Islands development budget, while Australian aid contributes around \$NZ 1 million a year. The level of aid from both programmes is expected to increase at a real rate of 4 to 5 per cent per annum. In the case of New Zealand a substantial amount for budgetary aid and personnel assistance will also be continued.

13. Other sources of aid include small project assistance from Canada, the Netherlands and the Federal Republic of Germany, channelled through their diplomatic representations in New Zealand and loans from the Asian Development Bank (AsDB) to the Cook Islands Development Bank for on-lending purposes as well as loans for infrastructural projects in the areas of harbour development, plantation roads and fruit processing and drainage and flood control on Rarotonga. The American non-governmental International Human Assistance Program (IHAP) will continue to concentrate on integrated rural development, agricultural diversification and a Cook Islands marine resources project.

#### C. Technical co-operation priorities

14. The Government of the Cook Islands regards the development of the productive sectors as the key priority for technical co-operation. The economy has in recent years become heavily service-based and greater emphasis on productive activities and supportive infrastructure is necessary to ensure future economic growth and development. It is particularly in the areas of agriculture, and manpower assistance that external inputs are needed.

15. The shortage of skilled manpower and capital presents a serious constraint for the development of these sectors. There is a need for external capital input and, as mentioned above, the extent of the financing gap is in the order of \$NZ 7 million annually. Likewise the lack of skilled manpower, aggravated by the fact that a large number of the most productive, talented, and highly qualified citizens have migrated to New Zealand in search of more lucrative employment opportunities, points to the need for a special effort in education programmes for which, in both cases, external assistance is needed. With its dwindling population, technical co-operation is vitally necessary to give the Cook Islands a chance to stabilize itself.

16. Within the United Nations system, the Cook Islands receives assistance from the Economic and Social Commission for Asia and the Pacific (ESCAP) as well as from the special and regular fund of the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), the ESCAP Pacific Operations Centre for (EPOC), the International Labour Organisation (ILO), the United Nations Department of Technical Co-operation for Development (UNDTCD), the United Nations Industrial Development Organization (UNIDO), the United Nations Fund for Population Activities (UNFPA) and the Food and Agriculture Organization of the United Nations (FAO).

## II. THE COUNTRY PROGRAMME

### A. Assessment of current country programme

17. The Cook Islands has been a recipient of UNDP technical assistance since 1970. Prior to the formulation of the first country programme in 1982 however, the UNDP effort represented a collection of projects formulated on an ad hoc basis rather than a coherent plan specifically designed to meet needs in priority areas. Based on the difficulties experienced during this period, a conscious effort was made in the first country programme to concentrate resources in sector consistent with government-denominated priority areas. The first country programme for the Cook Islands recognized the valuable inputs that could be made available through the UNDP Pacific Inter-country Programme and care was taken to ensure that national and regional endeavours complemented each other.

18. While the overall approach of the programme has been successful, various problems have arisen in connection with the implementation of specific projects. This has been evident in the agricultural sector, where an attempt was made to promote citrus and pineapple development in the Southern Islands. However, the hazards of soil erosion precluded the further expansion of pineapple growing. Furthermore the profitability of the project was hampered first by a breakdown of the processing facilities that occurred after the completion of the processing factory and second by the fact that the market for citrus fruit was smaller than expected.

19. A major part of UNDP resources have been allocated to the manpower assistance project - United Nations Volunteers (UNV) for Government Services. UNVs have been

/...

placed mostly in the health and labour, management and employment sectors. Recently, however, support through this project has also been given to the general economic and social policy and planning sectors. The project has been a considerable success, and the assistance to the Office of the Attorney-General for example has had positive results in terms of preparing for the localization of the post. Given the continued need for skilled manpower in the Cook Islands and the success of the project, it is intended to continue UNDP manpower assistance largely through UNVs in the Cook Islands.

#### B. New programme proposal

20. The Cook Islands development plan is committed to the achievement of greater economic independence of the country and to work towards this objective by progressively restoring and expanding the productive capacity of the local economy.

21. The main theme of the second Cook Islands country programme for the period 1987-1991 is a strengthening of agriculture and fisheries and a continued emphasis on manpower training and technical assistance in sectors varying from labour, management and employment to health and natural resources. By emphasizing agriculture and fisheries in particular and the development of human resources in general, UNDP inputs are concentrated on development activities that are linked to the Cook Islands strategies, giving high priority to production activities and to their increase.

22. As shown in the table denoting the percentage distribution of programmed resources (see note 1), approximately 41 per cent of total resources are allocated to the agricultural and marine sectors. The remaining 59 per cent are allocated to manpower assistance and training programmes in different sectors. Given the mandate of UNDP and the Cook Islands development goals of increasing productive activities, a concentration of resources in the area of manpower assistance and training addressed to meet the serious constraint of lack of skilled manpower in the Cook Islands represents both a necessary and a relevant allocation of UNDP resources.

#### Ongoing projects

23. Three projects are continued from the previous cycle: United Nations Volunteers for Government Services (CKI/81/001) which will be expanded into new areas such as energy conservation and national accounting; Support to the Department of Development Planning (CKI/85/001); and Micro-computer Training (CKI/84/003). All three projects relate directly to the objectives of the second country programme and the development strategies of the Cook Islands development plan.

24. A thorough energy conservation programme will be designed and implemented including energy audits of commercial and domestic installations, public education and energy conservation, promotion of energy-efficient building design and supervision of the installation and training of solar poly vinyl chloride schemes. The promotion of energy-saving methods will contribute to needed savings on imported energy.

25. In the area of development planning the task is to assist in the building of a basic gross national product (GNP) and GDP data bank, at the same time ensuring that the system can be effectively maintained after completion of the project. A general national accounts survey has not been conducted since 1978, and a thorough survey is urgently needed for development planning purposes.

26. The computer training programme is linked to a proposed larger regional project, and the assistance to the Department of Development Planning will continue with the important objective of completing the second development plan of the Cook Islands and upgrading the level of skills in the Department to make it better equipped to be the co-ordinating centre for development activities in the Cook Islands.

#### New projects

27. During the programming exercise three new projects were identified. The first project relates to the Department of Marine Resources, the second to an increase of agricultural production and export quality of traditional crops through technical assistance and training and the third to the establishment of a cultural village.

28. Marine resources. The existence of abundant but largely unexplored marine resources in the Cook Islands presents a promising area for the development of productive activities and thereby exports and employment. UNDP resources complemented by regional IPF funds will be used to start a marine project focusing on aquaculture - pearl development and cultivation of giant clams - and the building of a small artisanal fishing vessel.

29. Agriculture. One project will consist of various components to increase production of traditional crops. The project also includes an upgrading of animal health and a strengthening of plant protection services in the Cook Islands.

30. The coconut industry has for years been one of the major contributors to the Cook Islands economy. However, with increasing senescence of a substantial proportion of the coconut palms and lack of appropriate managerial skills, production has decreased in recent years. The objective of the coconut development subproject is to extend the capacity to carry out coconut husbandry activities in all the copra-producing islands particularly through an improvement of management techniques. The UNDP contribution will support the training of nationals in coconut agronomy and the assistance of specialized consultants.

31. Similarly the banana development subproject in the Island of Aitutaki is geared towards improving the productivity of banana plantations and the development of a high-quality export fruit. As the industry lacks sufficient personnel with skills in all aspects of banana husbandry and marketing, the project seeks to alleviate this problem by focusing on training and education of needed personnel.

32. Another agricultural subproject proposes to reduce dependency on meat imports by upgrading the health status of the existing stock of animals in the Cook

Islands. An expatriate animal health expert is to train a local counterpart and organize animal health and production workshops with local livestock officers and farmers in order to upgrade the educational level of the livestock personnel in the Cook Islands. The total input into the agricultural and fisheries sector for the second country programme is \$US 602,000.

33. Culture. The establishment of a Cook Islands Cultural Centre has been widely supported by the Government with the objective of preserving customs and traditions and providing an attraction for tourism. Local employment will also be increased by the implementation of the project. The Cultural Centre will consist of cultural areas representing six of the major islands or island groups of the Cook Islands archipelago. In each area there will be a display of arts and crafts from the islands represented as well as practical demonstrations of methods used in the production of these crafts. The UNDP total input will be approximately \$US 20,000 for the period 1987-1991.

#### Regional programme

34. The UNDP regional programme for the Pacific has in the past provided valuable services to the Cook Islands. Among the more successful, mention should be made of RAS/81/092 - Pacific Energy Development Programme, RAS/81/102 - Pacific Minerals Research, and RAS/83/015 - Pacific Advisory Services for Development, all of which have responded to the needs of the Cook Islands. For example, under the latter, EPOC includes full-time team members as well as short-term consultants of UNDAT (United Nations Development Advisory Team for the Pacific), which in association with the two regional institutions, SPEC (South Pacific Bureau for Economic Co-operation) and the SPC (South Pacific Commission) develops and manages the advisory services programmes that cover a wide range of subjects. The Government intends to continue its involvement in the subregional programme in close co-ordination with UNDP country projects and other multilateral and bilateral assistance programmes.

35. During the second country programme the Cook Islands intends to participate and benefit from RAS/85/004 - Pacific Fisheries Development Programme; RAS/83/001 - Plant Protection and Rootcrops; RAS/79/027 - Regional Livestock Development and a new regional project related to development planning. It is an objective of the Cook Islands to co-ordinate regional services with national development goals and activities.

#### C. Unprogrammed reserve

36. An amount of \$US 44,750 has been left as unprogrammed resources since past experience shows that flexibility is necessary in order to be able to cater for unforeseen needs in different fields. These resources are also earmarked to meet expenditures should the Government find it difficult to provide its planned cost-sharing contribution.



Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. <u>UNDP-administered sources</u>	\$	\$
Third cycle IPF balance	-	
Fourth cycle IPF	1 120 000	
Subtotal IPF		1 120 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	394 750	
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds		394 750
B. <u>Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		-
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>1 514 750</u></u>

II. USE OF RESOURCES

Ongoing projects	715 000	
New project proposals	755 000	
Programmed reserve	-	
Subtotal, programmed resources		1 470 000
Unprogrammed reserve		<u>44 750</u>
TOTAL USE OF RESOURCES		<u><u>1 514 750</u></u>

-----

