

Independent Evaluation of the Cook Islands Programme

Key findings from Adam Smith International



Results highlights

New Zealand investments in tourism in the Cook Islands have contributed to increases in GDP with tourism numbers climbing strongly over the course of New Zealand support. To build on investment and ensure sustainability, New Zealand needs to strengthen the enabling environment for private sector development.

Context

Since 1965 the Cook Islands has been self-governing in free association with New Zealand. The Cook Islands have the third highest Gross Domestic Product (GDP) per capita in the region and real GDP per capita more than doubled between 1982 and 2013. New Zealand is the largest provider of Official Development Assistance to the Cook Islands.

The relationship

The Cook Islands and New Zealand share strong cultural bonds and the free-association arrangement means all Cook Islanders have New Zealand citizenship and therefore access to the New Zealand labour market. This relationship has and continues to provide significant mutual social and economic benefit to the people of both the Cook Islands and New Zealand.

Aid Quality

New Zealand provides Sector Budget Support (SBS) in health, education and tourism. This was found to be highly effective. However, the evaluation noted that weak tax collection and procurement systems compromise performance. There is minimal risk to moving to higher levels of budget support with strong government leadership and capability a key feature.

Budget support operations could be improved through adoption of a more performance-based approach.

New Zealand's role in the Te Mato Vai project is important in harmonisation as it has the potential to alter interactions in donor relationships. New Zealand partnering with the Cook Islands and Chinese governments has demonstrated flexibility and determination with this model of cooperation.

Consolidation is prominent in the Cook Islands, with New Zealand decreasing its Activity levels significantly since 2011.

Adam Smith International Recommendations

Though of high quality, more could be done to further improve New Zealand's aid delivery. The effectiveness of Budget Support could be improved by adopting a performance management system, customised to political-economic and institutional factors.

New Zealand is a strong partner in the Cook Islands and should consider strengthening human resource capacity in key technical and operational areas, both at Post and in Wellington.

Insights into Economic and Human Development Outcomes



Tourism

New Zealand's support for tourism has led to demonstrable economic development outcomes in the Cook Islands. Tourist arrivals in the Cook Islands grew by 26,682 or 28% between 2008 and 2014. GDP of the Cook Islands increased significantly during this time, largely attributable to the growth in tourist arrivals. The growth in tourism numbers witnessed between 2010-12 coincides with a period of increased investment in tourism by both governments.

While these gains were important, the evaluation specified that challenges need to be addressed to ensure results are sustainable. A key challenge is the growth of revenue generated in tourism, while mitigating environmental harm and accommodation capacity constraints. This will require a shift to spreading more visitors into the shoulder/low seasons and increasing visitor yield i.e. spend per person, per day, per visit. Reforms to the business environment are also needed to promote increased investment to attract higher yield tourists. This involves improving the regulatory environment and developing incentives to invest in commercial infrastructure.



Renewable energy

The Cook Islands is gradually decoupling from the global fossil fuel market. New Zealand has supported this decoupling through 'Te Mana o Te Ra' or *Airport West* project. This solar energy system meets 5% of Rarotonga's electricity demand, displacing the use of 375,000 litres of diesel fuel a year. We also invested in 'Te Huiira Natura Ki Tokerau' or *Northern Group Renewable Energy* Project that meets the entire electricity demands of the six Northern Group islands. Constant electricity supply to health and education facilities is expected to improve human development outcomes and contribute to increases in economic development opportunities.



Health

New Zealand supports access to tertiary health care services through the Health Specialist Visits (HSV) Programme. Services under this programme were delivered at a significantly lower cost than that available in New Zealand, primarily because of low fees charged by specialists. Ministry of Health officials have high regard for the HSV which augments their health budget where over 80% of expenditure is spent on salaries.



Education

With almost 90% of the Cook Island's Ministry of Education's (MoE) budget allocated to salaries, New Zealand provides resources for improving education outcomes. New Zealand's budget support provides important resources for the implementation of the MoE's Business Plan, which is aligned to the Cook Islands Education Master Plan (2008-2028).

A recent evaluation of our sector budget support noted that it contributes to a wide range of improved education outcomes. A number of important advances in education provision have been supported by New Zealand funding. However, the Cook Islands Government is dependent on New Zealand funds for education with this set to continue. Moreover, a 2013 public expenditure review of the Cook Islands education system found that its spending on education is low by international standards and insufficient to meet the needs of the education sector.

This document is drawn from Adam Smith International's independent evaluation of the Cook Islands country Programme completed in 2015.

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