



Project Summary Information

Date of Document Preparation: December 10, 2020	
Project Name	COVID-19 Active Response and Economic Support Program
Project Number	P000461
AIIB member	Cook Islands
Sector/Subsector	Economic Resilience/PBF / Economic Resilience/PBF - NA
Status of Financing	Approved
Project Description	<p>This Program is proposed under the COVID-19 Crisis Recovery Facility (the Facility) of the Bank and will be supported by a Sovereign-backed Loan to the Cook Islands, co-financed with the Asian Development Bank (ADB) and the New Zealand Agency for International Development (NZAID). The ADB co-financing is provided under ADB's Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO). The Program is designed to promote social protection and economic resilience to prevent long-term damage to the productive capacity, including human capital, of the Cook Islands' economy.</p> <p>The Cook Islands are one of the smallest and most remote nations in the Pacific Ocean. The economy remains heavily dependent on imports. Future growth is hampered by high cost structures, small population and high exposure to climate impacts and disasters. The Cook Islands are among the most tourism-driven economies in the world, with tourism revenues exceeding 60 percent of gross domestic product (GDP). The economy enjoyed sustained growth averaging 5 percent between FY2012 and FY2019 as visitor arrivals rose from 113,000 in 2011 to over 170,000 in 2019.</p> <p>The Cook Islands avoided a COVID-19 outbreak within its borders with the GOCI taking preemptive actions and implementing a quick containment response. In Jan. 2020, the Ministry of Health (the MOH) activated the Health Emergency Response System. From March 2020, all primary healthcare services were relocated away from the main hospitals. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 pandemic and on March</p>

	<p>24, 2020, the GOCl closed the country's borders. Widespread testing, mandatory 14-day quarantine, school closures, domestic travel suspensions and social distancing were enforced during the ensuing lockdown period which began mid-March 2020. The GOCl declared the country COVID-19 free on April 16, 2020.</p> <p>The COVID-19 pandemic is a significant economic threat to the Cook Islands. Due to the shutdown of tourism, the economy is estimated to have contracted by 7 percent in FY20 and projected to further contract by 15.4 percent in FY21, or more if borders remain closed to New Zealand tourists beyond early 2021. The impact on business viability has been severe. The impact on the fiscal position will be significant. In addition to higher expenditures, which will temporarily increase from 36 percent of GDP in FY19 to over 70 percent of GDP in FY21, the collapse in tourism has led to a decline in tax revenues of 7 percent in FY20 and a further expected decline by almost 40 percent in FY21. As a result, the fiscal deficit in FY20 was 2.4 percent of GDP (instead of 1.2 percent planned), and for FY21 it is projected by the ADB to reach 30 percent of GDP or more.</p>
Objective	The Program supports the Government of the Cook Island to reduce the adverse impacts of COVID-19 restrictions on the population and businesses.
Expected Results	<p>The Program alleviates the pressure on the Government's fiscal position by delivering the following outputs:</p> <ul style="list-style-type: none"> (i) Health care system's COVID-19 response measures strengthened; (ii) Livelihoods protected through compensation for economic losses; (iii) Economic relief for affected businesses delivered.
Environmental and Social Category	ADB Category C for each of environment, involuntary resettlement and Indigenous Peoples (similar to Category C if AIIB's ESP were applicable)
Environmental and Social Information	<p>This Loan will be co-financed with ADB as lead co-financier, and the Program's environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of ADB's Safeguard Policy Statement (SPS) applicable to policy-based lending (PBL).</p> <p>AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by a decision of the AIIB's Board of Directors, the provisions of the SPS applicable to PBL will apply to this operation in lieu of AIIB's ESP. This will ensure a harmonized approach to addressing the ES risks and impacts of the Program.</p>

	<p>Under its SPS, ADB has categorized the program as Category C for environment, Category C for involuntary resettlement and Category C for Indigenous Peoples, on the basis of its assessment of the Program. ADB has confirmed that the Program activities supported by this Loan will be confined to policy and institutional reforms; and that no activity will result in, or lead to, involuntary resettlement or negatively affect Indigenous Peoples or the environment. The Program is expected to have positive social outcomes through its COVID-19 response by sustaining livelihoods, protecting jobs and businesses. The public sector is a key provider of infrastructure and services to low-income households, and improved fiscal management will help ensure that the government has the resources to respond to economic shocks and disasters triggered by natural hazards, which tend to have an adverse effect on the poor, while maintaining critical public services.</p> <p>The Program is categorized by ADB as "Effective Gender Mainstreaming" with dedicated actions to ensure that all women employers and employees have access to support, including (i) a wage subsidy for all women in affected businesses, (ii) an unemployment benefit for all women at risk of losing their jobs, (iii) the assurance that all public servants (of which 55.8% are women) will continue to be employed, (iv) the continuation of training opportunities being offered to women at similar rates to men and (iv) grant and credit assistance for women-owned businesses.</p>										
Cost and Financing Plan	<p>Indicative Cost and Financing Plan (USD millions)</p> <table> <tr> <th>Modality and Sources</th><th>Amount (\$ million)</th></tr> <tr> <td>Asian Development Bank Sovereign COVID-19 Pandemic Response Option (Regular Loan): Ordinary Capital Resources</td><td>20.0</td></tr> <tr> <td>Asian Infrastructure Investment Bank COVID-19 Crisis Recovery Facility (Not ADB Administered)</td><td>20.0</td></tr> <tr> <td>New Zealand Agency for International Development (NZAID)</td><td>9.9</td></tr> <tr> <td>Total</td><td>49.9</td></tr> </table>	Modality and Sources	Amount (\$ million)	Asian Development Bank Sovereign COVID-19 Pandemic Response Option (Regular Loan): Ordinary Capital Resources	20.0	Asian Infrastructure Investment Bank COVID-19 Crisis Recovery Facility (Not ADB Administered)	20.0	New Zealand Agency for International Development (NZAID)	9.9	Total	49.9
Modality and Sources	Amount (\$ million)										
Asian Development Bank Sovereign COVID-19 Pandemic Response Option (Regular Loan): Ordinary Capital Resources	20.0										
Asian Infrastructure Investment Bank COVID-19 Crisis Recovery Facility (Not ADB Administered)	20.0										
New Zealand Agency for International Development (NZAID)	9.9										
Total	49.9										
Borrower	Cook Islands										
Implementing Entity	Ministry of Finance and Economic Management										

Estimated date of loan closing	January 2021		
Contact Points:	AIIB	Asian Development Bank	Borrower/Implementing Entity
Name	Hubert Jenny	James Webb	Garth Henderson
Title	Project Team Leader	Team Leader	Financial Secretary Ministry of Finance and Economic Management
Email Address	hubert.jenny@aiib.org	jwebb@adb.org	garth.henderson@cookislands.gov.ck
Date of Concept Decision	October/2020		
Date of Appraisal Decision	November/2020		
Date of Financing Approval	December 10, 2020		
Independent Accountability Mechanism	AIIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIIB's ESP, which does not apply to this operation. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM. ADB's independent accountability mechanism addresses issues raised by persons adversely affected by an ADB-assisted operation and allows them to report alleged noncompliance with ADB's operational policies and procedures, including its SPS.		