

COOK ISLANDS

COUNTRY OVERVIEW
APRIL 2020

IN THE COOK ISLANDS, PSDI IS WORKING TO:

- make it easier to start, manage, and finance a business;
- develop well-functioning competition laws and regulations; and
- strengthen the financial position of the Bank of Cook Islands.

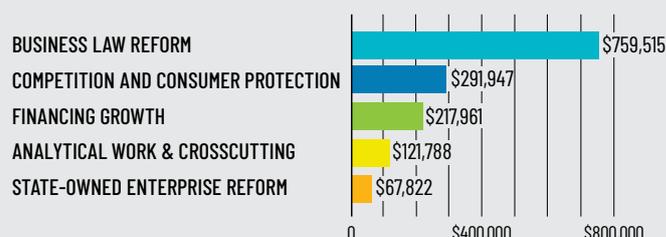
KEY PSDI ACTIVITIES AND OUTCOMES

- 2009:** Initial assessment of the Cook Islands' competition law and policy requirements prepared.
- 2011:** Legislative, governance, and monitoring framework for the Cook Islands' state-owned enterprises reviewed.
- 2015:** Work with the Bank of the Cook Islands (BCI) to strengthen their financial position commenced (ongoing).
- 2015:** Cook Islands Private Sector Assessment published: *The Cook Islands: Stronger Investment Climate for Sustainable Growth*.
- 2017:** Enabling legislation for online registries passed by Parliament (Companies Act, Incorporated Societies Act [amended], and Personal Property Securities Act).
- 2019:** Online Companies, Incorporated Societies, and Personal Property Securities Registry launched.
- 2019:** Telecommunications Bill passed by Parliament.
- 2019:** Bank of the Cook Islands included in *Finding Balance 2019: Benchmarking the Performance of State-owned Banks in the Pacific*.

SPENDING OVERVIEW

PSDI has increased its activity in the Cook Islands over the past few years, with almost one-third of the \$1,459,028 in total funding spent in the 2018/2019 financial year (FY). Business law reform initiatives, including the development of an online companies registry and associated legal reform, accounts for 52% of all spending. Competition and consumer protection initiatives received the second highest proportion—20%—of overall allocations to the Cook Islands. This included the preparation of a Telecommunications Bill and a Multi-sector Regulator Bill, which both were passed by the Cook Islands Parliament in 2019.

COOK ISLANDS SPENDING BY FOCUS AREA 2007-2019 (\$1,459,028)



FINANCING GROWTH

OUTCOMES, RESULTS, AND FUTURE PROJECTS:

SECURED TRANSACTIONS REFORM

PSDI has worked to increase business access to finance through the development and implementation of a secured transactions framework—which allows lenders to accept non-land (movable) assets as security—and by working with lending institutions to encourage its uptake.

PSDI assisted the Government of the Cook Islands with the drafting of a Personal Property Securities Bill, which was passed by the Cook Islands Parliament in 2017. In December 2019, PSDI supported the launch of an online Personal Property Securities Registry. The registry simplifies loan processing for banks by allowing lenders to register security interests over movable assets—such as accounts receivable or inventory—that borrowers have pledged as collateral for loans. It also improves risk management by allowing lenders to verify that an asset is not already pledged elsewhere.

Following the launch of the registry, PSDI is continuing to work with banks and the agriculture sector regarding the introduction of new lending products using the secured transactions framework.

STRENGTHENING THE FINANCIAL POSITION OF THE BANK OF COOK ISLANDS

PSDI has been providing the Bank of the Cook Islands (BCI) with policy advice, assisting in its aim to diversify its product mix, expand its balance sheet, and improve its financial performance.

In 2015, PSDI assisted BCI to introduce a new liquidity risk management policy, consistent with the Prudential Statement on Liquidity Risk Management issued by the Cook Islands Financial Supervisory Commission (FSC) and integrated with BCI's overall funds management policy. In 2016, PSDI extended this support to assist BCI to identify and assess the impact of operational risks and then draft a policy for the management of operational risk consistent with the FSC prudential statement. In FY2018/2019, PSDI developed a capital projections model to assist BCI to determine its capital needs.

Subject to a formal request, PSDI will also support BCI in the preparation of a strategic plan for expansion, linked to the capital projections modeling.

BUSINESS LAW REFORM

OUTCOMES, RESULTS, AND FUTURE PROJECTS:

COMPANIES LAW REFORM AND ONLINE REGISTRY DEVELOPMENT

PSDI is working with the Government of the Cook Islands to develop a modern, enabling business legal environment.

PSDI reviewed the existing Companies Act in 2014. In 2016 the government requested PSDI support to prepare a new Companies Bill for consideration by Parliament. Following the completion of a full diagnostic, the government decided to prepare three new bills: the Companies Bill, the Personal Property Securities Bill, and the Incorporated Societies (Amendment) Bill. These were tabled and passed by Parliament in December 2017. PSDI then assisted with the procurement and development of an associated online registry, using additional funding from the governments of the Cook Islands and New Zealand. The registry was launched in December 2019.

PSDI will continue to support the implementation of the legislation and the registry as required.



Representatives from the Cook Islands Ministry of Justice, the Asian Development Bank's Pacific Private Sector Development Initiative, and Paradigm Apps, at the launch of the Cook Islands new Online Companies, Incorporated Societies, and Personal Property Securities Registry. Rarotonga, Cook Islands, 11 December 2019.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

OUTCOMES, RESULTS, AND FUTURE PROJECTS:

STATE-OWNED ENTERPRISE REVIEW

In November 2011, PSDI conducted a review of the legislative, governance, and monitoring framework for Cook Islands' SOEs.

The resulting gap analysis recommendations were endorsed by the Government of Cook Islands in July 2012. In March 2013, implementation was suspended as the government sought to clarify several issues. After a further review in July 2013, PSDI submitted updated recommendations in August 2013. The government accepted the updated recommendations.



Port of Avatiu, Rarotonga. PSDI is currently working with the Government of Cook Islands to develop a roadmap for domestic shipping services.

SHIPPING SERVICES ROADMAP DEVELOPMENT

PSDI is currently working with the Government of Cook Islands to develop a roadmap for domestic shipping services.

At the request of the Ministry of Finance and Economic Management (MFEM), PSDI is working to help the Government of Cook Islands prepare a roadmap for meeting the challenges of providing safe, reliable and affordable shipping services to 14 islands. Many of these islands are sparsely populated and at least 4 are more than 500 miles from the capital.

The Government of Cook Islands is considering three options for intervention in the sector. In Q2 2020, PSDI will deliver a options report that assesses these in terms of costs, risks and likelihood of sustainably achieving the government's target service levels.

ANALYTICAL WORK

A private sector assessment, *The Cook Islands: Stronger Investment Climate for Sustainable Growth*, was published in 2015. Cook Islands also participated in PSDI's 2019 *Finding Balance* regional SOE benchmarking study, and was featured in a 2018 brief on tourism trends in the region, *Tourism as a Driver of Growth in the Pacific*.



COMPETITION AND CONSUMER PROTECTION

OUTCOMES, RESULTS, AND FUTURE PROJECTS:

TELECOMMUNICATIONS REGULATORY REFORM

PSDI has been working to develop procompetitive telecommunications regulation as part of the Government of the Cook Islands' preparations for the landing of a new submarine cable.

PSDI provided technical and drafting support to Ministry of Finance and Economic Management for a new Telecommunications Policy, and completed the drafting of a Telecommunications Bill, which was passed by the Cook Islands Parliament in December 2019.

PSDI will provide continued support for the implementation of the bill, including supporting the establishment of a regulators office, and assisting with the development of necessary licences and guidelines.

MULTISECTOR REGULATOR ESTABLISHMENT

PSDI is working with the Cook Islands Ministry of Finance to support the development of a multi-sector regulator.

The Cook Islands' Secretary of Finance requested PSDI assistance to develop a policy to support the introduction of a multi-sector regulator, followed by the preparation of a bill. The PSDI-supported Market Competition Policy was finalized in May 2019, and the Competition and Regulatory Authority Act was passed by the Cook Islands Parliament in December 2019.

PSDI will now support the implementation of the bill.

Pacific Private Sector Development Initiative

Asian Development Bank
Pacific Liaison and Coordination Office
Level 20, 45 Clarence St, Sydney 2000 Australia

Ph: +61 2 8270 9444

Fax: +61 2 8270 9445

 /adbpsdi

 @ADB_Sydney_PSDI

 @ADB_Pacific_PSDI

www.adbpsdi.org
info@adbpsdi.org