

# MANAGING THE BURDEN OF PUBLIC DEBT

(in particular reducing the interest rates charged to Cook Islands Government)

The Cook Islands has taken on more debt through the crisis, and keeping the interest rates on that debt as low as possible will keep the burden of servicing that debt manageable.

In order to provide critical support through the Economic Response Plan (ERP) to the Cook Islands economy during the pandemic, the Government has increased the level of debt held by the country. This increase in debt comes with ongoing costs associated with servicing the debt, so it is essential that the large increase in debt is managed effectively and efficiently.

Interest rates across most of the world have been pushed to almost zero in the past year and a half, which has allowed countries to borrow with very cheap costs. With the increased debt now held by the Cook Islands, it is imperative that this is at the cheapest possible interest rate to keep the burden as low as possible. Keeping this burden low allows government to use resources in other

areas, to support people and the economy through the severe recession. Discussions with partners such as New Zealand and the Asian Development Bank have shown that these institutions also recognise the importance of keeping borrowing costs low.



## Economic Development Strategy Actions related to this focus area:

No.	Action	Lead Agency	Details	Indicative timing
4.1	Implement Medium-term Fiscal Strategy	MFEM	Continue implementation and refinement of the strategy	Ongoing annually

\*Medium-term Fiscal Strategy - The Government's Medium-term Fiscal Strategy aims to deliver fiscally sustainable budgets. To achieve this the Government commits to:

- Adhere to the fiscal rules on debt, fiscal balance, expenditure growth and cash reserves.
- The development of, and appropriation into, reserve funds (Stabilisation Account and Sovereign Wealth Fund) to ensure that excess revenues are saved for periods of economic downturn or natural disasters, and for future generations.
- An expenditure profile that is steered by the economic context, using internal guiding principles.

