



# Economic Development Conference 2019

## *Working together to build quality growth*

The Cook Islands Government is hosting the *Economic Development Conference 2019: Working together to build quality growth* on 15<sup>th</sup> November 2019 at the National Auditorium. The Conference will inform the development of the **Economic Development Strategy 2030** (the Strategy). This follows consultation with the Pa Enua and Rarotonga communities and a broad cross-section of business, industry and community stakeholders.

The Conference will gather a cross-section of leading Cook Islands business, community and government representatives to discuss their vision of a future Cook Islands economy, and the key economic development constraints to be addressed, and opportunities to be pursued, along the way to further that vision. The Conference, and other consultation, will inform a draft Strategy that is expected to be released for public consultation in February 2020, with the Strategy expected to be finalised in July 2020.

### **Why do we need an Economic Development Strategy?**

The National Sustainable Development Plan 2016–20 (NSDP) is the primary national planning tool in the Cook Islands. The NSDP effectively sets out the aspirational goals of the Cook Islands community across the different dimensions of Cook Islands society and development. It does not, however, provide an integrated strategy for the development of the Cook Islands economic sector as a whole, one that draws the existing policy strands together, addresses cross-cutting economic issues, and provides an effective guide to economic decision-making over the medium- and long-term.

### **A shared vision for 2030**

The Conference will canvas participant views on what they think the Cook Islands economy should look like in 10 years' time — recognising that the long-term economic sustainability of the Cook Islands is dependent on improvements in a broader range of social and environmental issues. These views, informed by a keynote speaker, will inform a shared vision in the Strategy of the desired shape and direction of the Cook Islands economy over the next 10 years.

### **Building quality growth**

Evidence shows that short-term growth strategies with a sole focus on maximising GDP growth can lead to an unsustainable cycle of growth driven by the exploitation of human and natural capital. There is growing global consensus that achieving sustainable development will require shifting focus to investment in people and the environment. That is, economic



growth is seen as a means of achieving shared prosperity and human well-being within environmental limits – rather than a goal in itself. For example, the United Nations describes this approach as shifting from ‘quantity’ to ‘quality’, and defines five key foundations of **quality growth**:<sup>i</sup>

1. *Equity and access* — inclusiveness in relation to environmental, social and economic benefits. This deals with the equitable distribution of and access to Government services and employment opportunities, and ecosystem services and their benefits, such as traditional food sources, safe drinking water and profits from the use of natural resources.
2. *Efficiency and productivity* — in the use of natural, human and manufactured capital. This deals with efficient use of resources and increased productivity — doing more with the same or fewer inputs, which are the key drivers of economic growth.
3. *Structural transformation* — and diversification. More diversified or complex economies are more dynamic and resilient to changing circumstances and shocks. Building on what you are good at — your comparative advantages — is an effective way to diversify. Investment in education, knowledge and innovation along with policies that foster structural change come into play here.
4. *Balanced investment* — in all forms of capital, manufactured, human and natural. The focus here is on changing a short-term decision-making mindset to one that recognises the relatively long time required to generate the benefits from social and environmental investments.
5. *Recognising economic, social and environmental limits* — defined by credible science, a strong science-policy interface and stakeholder consultation. This focuses on the real-life limits that are critical to quality growth decision-making, such as environmental carrying capacities and fiscal spending ceilings.

For the purposes of the Conference, the 5 elements above have been distilled into 3 key themes that cover economic, social and environmental topics. The overarching thesis that ties the 3 themes together is moving from quantity to quality growth: that is, growth with equality, efficiency, sustainability and dynamism.

Each of the themes will also involve discussion around some cross-cutting principles:

- **roles of the private sector and the Government** — is there a good reason for Government intervention?;
- **promoting Pa Enea economic development** — a key priority for Government;
- significant **opportunities to be developed**, and actions required;
- significant **constraints or challenges to be addressed**, and actions required;
- **effective institutional and governance arrangements** — do we have the right policy settings in place, how can we reduce red-tape? Is Government working in a coordinated manner?; and
- **suitable measures of progress** — an effective measurement framework to demonstrate progress.

## Key themes

### 1. Equity and access – more equitable societies have better growth prospects and more stable economies

Quality economic growth requires equitable distribution of economic gains, benefits from the natural environment and access to opportunity. This theme will focus on three key aspects; economic equality, sharing the benefits of growth and equal access to basic necessities.

Economic theory highlights the need for economic equality to achieve long-term, sustainable growth. A country should strive to achieve reasonable levels of economic equality not just in income and wealth, but also in access to the benefits of growth. Equal access to basic necessities is key to ensuring that inequality does not prevail.

Key issues expected to arise in this theme are:

- **Income/wealth inequality:** Data suggests that the Cook Islands has a moderate level of inequality, this can be further perpetuated by high costs of living. What sections of the community are experiencing inequality and/or cost of living challenges? What can be done to alleviate these pressures?
- **Access to the benefits of recent economic growth:** Have all Cook Islanders benefited from the growth of the past 5 years? If not, how can access to growth be shared?
- **Access to basic necessities:** Do all Cook Islanders, irrespective of where they live or their income levels, have access to reasonable standards of health care, education, transport and telecommunications?
- **Access to ecosystem services and their benefits:** Do all Cook Islanders benefit equally from land tenure security, access to traditional food sources, safe drinking water? Are the profits from the harvesting of natural resources equitably distributed?

### 2. Efficiency, productivity & transformation – making the most of what we have and driving structural change

Sustained long-term growth requires improvements in productivity – producing more output for the same amount, or fewer, inputs, an efficient and effective government sector, and a more complex, diversified economy.

Key issues expected to arise in this theme include:

- **Productivity:** There is limited data on productivity in the Cook Islands, but anecdotal evidence suggests that there are opportunities for improvement. What do these opportunities look like? How do businesses and the government work together to improve productivity? How do we promote eco-efficiency — broadening traditional economic measures to account for efficient use of energy and other natural resources?
- **Government efficiency:** Government effectiveness and efficiency is important for ensuring the efficient allocation of resources within a country. There is a balance between a government that is too small, which could result in a lack of capacity to design and implement Government services, and a government that is too large that can waste expenditure. As such, the optimally efficient size of government needs to

be determined. In what way does the Cook Islands Government need to improve its efficiency?

- **Building on our comparative advantages:** Tourism is driving growth and this is unlikely to change over the next 10 years. What are the Cook Islands comparative advantages and how do we build on them to maximise their benefit?
- **Information technology revolution:** The Cook Islands is undergoing an ICT transformation — a new submarine cable providing expanded and faster international bandwidth and a competitive telecommunications market will drive service and price benefits — how do we best harness the new opportunities these changes will offer?

### 3. Investing in quality growth — balancing investment within limits

While pursuing growth is a key driver of economic planning, the local context needs to be considered to ensure that growth remains sustainable. Growth that outstrips sustainability is likely to result in negative economic, social or environmental outcomes. To ensure sustainability, investment, both public and private, is required. Investment both stimulates demand for goods and services and builds the future capacity of local businesses. To ensure quality economic growth we must ensure that social and environmental factors are adequately considered, and that the natural limitations to growth are factored in when developing economic plans.

Key issues expected to arise in this theme are:

- **Human capital:** Skills shortages are evident in the Cook Islands which not only affects growth, but is resulting in strong increases in immigration. How do we invest in human capital to ensure that growth is sustainable? How do we ensure that we have a healthy and fit population?
- **Investment:** Public - the Government has undertaken significant investments in infrastructure in recent years. Are the Government's current infrastructure plans going to be sufficient in meeting demand over the next ten years? Are there any infrastructure gaps not yet identified that need filling? Private - are we doing enough to promote private sector investment, local or foreign?
- **Fiscal limits:** Government funds are limited and expenditure should be in line with the economic context. What are the limits to fiscal sustainability in the Cook Islands? How does the country achieve its goals within these constraints?
- **Economic limits:** The Cook Islands economy is currently operating above its potential. This means that additional growth will add to cost of living pressures, labour shortages and housing shortfalls. How do we achieve the necessary changes without placing further pressure on the economy, and the community?
- **Environmental limits:** Most development comes with increased pressure on the environment. Are environmental factors being adequately considered when assessing growth opportunities? Are we doing enough to ensure that our environmental capital is being protected and maintained? Climate change is also placing pressure on different economic sectors, are these being adequately considered when developing sectoral plans?
- **Land limits:** There is limited land available in the Cook Islands, particularly in Rarotonga. This can have significant impacts on the Government's ability to undertake key infrastructure projects, and can impact upon both business and

community. What options are available to ensure development in the context of limited land capacity? Land planning is a contentious issue in the Cook Islands, what impact is a lack of land planning having on environmental planning and the economic sustainability of the tourism market?

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<sup>i</sup> United Nations (2013). Shifting from quantity to quality: Growth with equality, efficiency, sustainability and dynamism. United Nations Economic and Social Commission for Asia and the Pacific, ST/ESCAP/2675.