



Theme 1: Equity and access

Quality economic growth requires the equitable distribution of; economic gains, access to opportunities and benefits from the natural environment. Theme 1 focusses on these three key aspects.

Equality

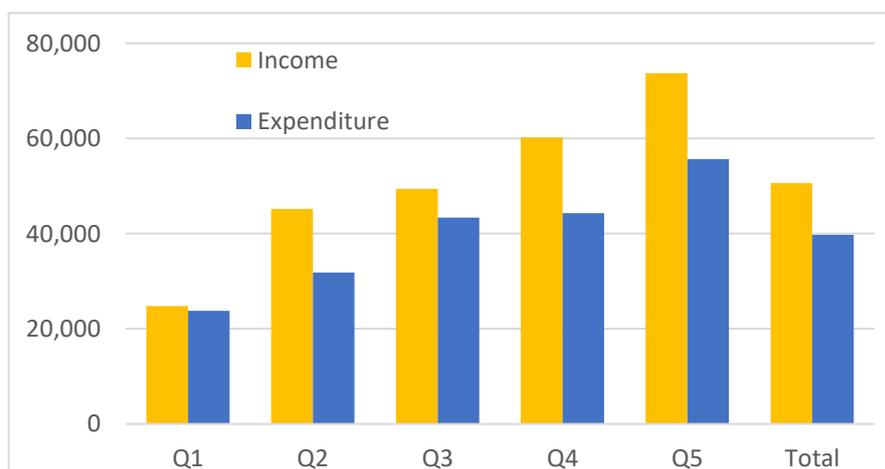
There is much research that suggests that more equitable societies have better growth prospects and more stable economies. The widely accepted measure of inequality is the Gini coefficient (see Box 1). By this measure the Cook Islands is deemed to have a moderate level of income and wealth inequality as at the 2015-16 Household Income and Expenditure Survey (HIES). This is largely due to inequality between Rarotonga and the Pa Enua — the average annual income of a household in Rarotonga (including subsistence and housing) was \$55,150 – over 43 per cent higher than the average annual income of Pa Enua households at \$38,480.

Chart 1 shows the average income and expenditure for each consecutive 20 per cent of households by income, as based on the HIES. As can be seen, those 20 per cent of households earning the lowest incomes are only able to save \$1,000 per year after expenses, compared to the 20 per cent of households earning the highest income, who save \$18,000 on average.

Box 1: Gini coefficient

The Gini Coefficient is a number between 0 and 1, with 0 meaning total equality and 1 meaning total inequality. The Cook Islands Gini Coefficient is measured at 0.36 based on the 2015-16 HIES. This is considered a moderate level of inequality, but is higher than the OECD average, New Zealand and Australia.

Chart 1: Average household income and expenditure



Source: Cook Islands 2015/16 HIES. Note Q=Quintile



Data from the HIES also makes it clear that the cost of living in the Cook Islands is high compared to New Zealand, with a higher percentage of expenditure being allocated to basic necessities such as food, housing and communication.

Access to benefits

Sustainable development requires economic growth strategies that consider the distribution of economic opportunities, and opportunities to access, build, and benefit from other forms of capital. These include, but aren't limited to, access to education and health services, and access to quality work or investment opportunities.

The key question to be considered in the Cook Islands context is whether all Cook Islanders have had the same opportunity to access the benefits of the strong economic growth in recent years.

Data indicates that real growth in the incomes of the lowest 20 per cent of earners has increased in recent years, by an average of 3.9 per cent. While this is below real GDP growth (showing that the benefits have been felt more by higher income earners), the strong growth does indicate that the benefits of growth have been felt by people at all income levels. Growth in income in the lowest 20 per cent of earners can be explained by increases in the minimum wage. Despite



this, evidence suggests that the benefits of growth may have been disproportionately felt in Rarotonga.

Due to the scarcity of land in Rarotonga, its value has increased significantly in recent years. However, access to land is dependent on the land tenure system and depends in large part on whether there is sufficient land within the family to be passed to the next generation. Those families with limited land, or those families from the Pa Enua without access to land on Rarotonga, face barriers to accessing the growth opportunities that arise from land. This is expected to worsen as the number of land owners per block grows, and the value of land increases.

At the community level, the benefits of growth are shared in the form of increased access to services and infrastructure. This occurs through the collection of taxes, which fund the Government provision of goods and services. During periods of strong economic growth, tax revenue increases, increasing the Government's ability to fund services. Evidence of increased access to infrastructure can be seen in the Government's expenditure on capital, this has increased from around \$3 million in 2010/11, to around \$40 million in 2019/20. These funds are being spent on a variety of infrastructure projects including road improvements, the supply of potable water to Rarotonga and Pa Enua cyclone shelters.

Access to services

Access to basic services are important to ensure that individuals and communities have access to the opportunity to invest in capital, particularly human capital. Access to services includes access to reasonable quality healthcare, education, telecommunication infrastructure and transport, amongst others.

Education

Government provides funding support for education from the age of 3, with funding provided to Early Childhood Education (ECE) centres. There is no funding assistance provided to ECE operating for children under the age of 3, nor are there any regulations in place to monitor the standard of care.

Schooling is provided from ECE (aged 3 plus) to Year 11 on all islands. Once students reach Year 12 they must relocate to Rarotonga if they would like to continue their education. While Pa Enea students are required to relocate to Rarotonga for schooling, there is no accommodation provided — this often requires students to either stay with distant family in Rarotonga, or for the immediate family to relocate to Rarotonga.

Health

A broad suite of health services is provided in Rarotonga. A reduced service is provided in the Pa Enea, with a nurse on each island. The Ministry of Health has also just begun the flying doctor service which takes a team of doctors and dentists to the Pa Enea.

Medical referrals take place from the Pa Enea to Rarotonga or New Zealand, and from Rarotonga to New Zealand for emergency cases. Specialists from New Zealand are also brought into Rarotonga to treat scheduled non-emergency cases.

Telecommunication

Basic telecommunication services are an important part of daily life for most Cook Islanders. The Government considers that all Cook Islanders should have access to a certain basic level of telecommunications, regardless of where they live. There is a significant service quality gap between Rarotonga and Aitutaki, and the Pa Enea. For example, the former receive 3G mobile voice and 4G data services, with the Pa Enea predominantly relying on 2G services.

Transport

Rarotonga and Aitutaki are served by a regular and reliable shipping service from New Zealand. The frequency of shipping to the Pa Enea has increased in recent years, however there are still concerns around the reliability, in terms of both



scheduling and quality. Anecdotal evidence suggests that the lack of reliable shipping has had an impact on the economic development of the Pa Enuā, limiting business and community planning.

Access to ecosystem services and their benefits

Inclusive growth requires policies and participatory governance and resource-management approaches that secure equitable access to ecosystem services (services provided to the economy by nature).

Inclusive access to ecosystem services and their benefits means attention to land tenure security, access to traditional food sources, access to safe drinking water and good quality air, and attention to social justice regarding the burdens of environmental degradation.

As noted above, access to land is limited, particularly due to its scarcity. Land tenure security is complex, however is strongly enforced. Due to limited access to land in Rarotonga, the access to traditional agricultural food sources has been affected.



The Ra'ui system has been used across the Cook Islands to ensure access to ecosystem services and their benefits. One example of this system of resource management is in Pukapuka where a Ra'ui prevents the taking of anything from the protected area – including coconuts.

What is the Economic Development Strategy?

The Economic Development Strategy is a high-level plan to guide sustainable economic growth of the Cook Islands over the next 10 years. The Strategy will:

- cover not just economic but also social and environmental matters, to ensure sustainable growth;
- present a shared vision of what the community wants the Cook Islands economy to look like in 10 years' time;
- ascertain business and other opportunities that are worth investing in;
- identify key problems that we can fix; and
- include an action plan with a list of things that will be done to make sure our economic vision is achieved.

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