



# ECONOMIC RECOVERY ROADMAP OVERVIEW AND UPDATE

## GOVERNMENT OF THE COOK ISLANDS

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive the Cook Islands' economic recovery from COVID-19 over the next few years. The overall objective of the ERR is to grow the Cook Islands' GDP to pre-COVID levels (around \$500 million), and towards the path we would have been on pre-COVID by 2025, while keeping within our fiscal responsibility rules.

Over the next two months, we will be releasing more information on each of the main ERR workstreams:

### Reducing the cost of borrowing

Reducing interest rates to a point where they are much closer to interest rates in New Zealand will mean: businesses have less barriers to entry in the market, and businesses and homeowners with debt have more money to spend on other parts of the economy.

### Managing public debt

An increase in government debt has been necessary to support the government's response to the pandemic, however it also means the government will have increased debt servicing costs (repayment of debt) over the next decade. It is important to make sure this debt is managed responsibly so the economy can continue to grow.

### Infrastructure investment

Infrastructure investment during an economic downturn can be an effective way to mitigate the impacts of a recession on an economy, through creating more jobs in both the short and long term.

### Barriers to business performance

Some of our laws, fees and regulations make it harder for new businesses to get a start in the Cook Islands. Removing barriers to business will help to increase levels of competition, lower prices and diversify the economy.

### Productivity growth

Productivity growth is one of the key mechanisms that drives the overall economy – it leads to increased wages and a more efficient use of resources. Productivity is important to many of the ERR workstreams.

### Improved Public Sector efficiency

An efficient public sector means government agencies work together to be responsive to customers' needs and provide value-for-money services.

### Labour force and population

Population size has direct links to economy size – a sustainably growing population will increase GDP (our nation's income), and help raise levels of living standards, along with opportunities for education, jobs and income.

### Foreign investment

Investment into the Cook Islands from abroad provides an important source of economic stimulus as the economy recovers from the pandemic. This investment can provide demand for workers and locally produced goods and services that otherwise wouldn't be available.

More Information on each of the main ERR workstreams will be released online and in Cook Islands News

**PROGRAMME NOTES ARE NOW LIVE ON**  
**www.mfem.gov.ck**



Reducing the cost of borrowing



Barriers to Business Performance



Managing public debt



Productivity Growth



Infrastructure Investment



Improved Public Sector efficiency



Labour Force and Population



Foreign Investment to benefit the Cook Islands

For more information go to [www.mfem.gov.ck/economic-planning/covid-19-err](http://www.mfem.gov.ck/economic-planning/covid-19-err)

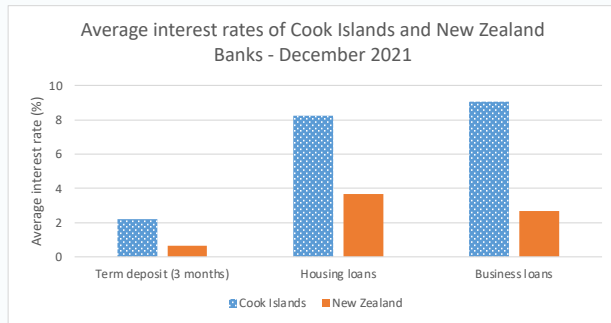


# REDUCING THE COST OF BORROWING & PUBLIC DEBT ECONOMIC RECOVERY ROADMAP (ERR)

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive economic recovery from COVID-19 over the next few years. Over the next months we will be releasing information on each of the main ERR workstreams. This week we focus on Reducing the Cost of Borrowing and Managing Public Debt.

## Reducing the cost of Borrowing

Loan interest rates in the Cook Islands are as much as 5-7 percentage points higher than comparable products in New Zealand. This means it is more expensive for businesses and home owners to borrow money, which in turn leaves less to spend or invest elsewhere in the economy.

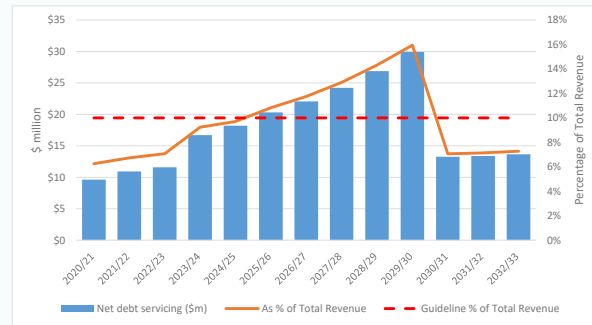


Rates as at 8 December 2021

This workstream aims to reduce the cost of borrowing (interest rates) in the Cook Islands that are closer to rates in New Zealand. MFEM is working with the Reserve Bank of New Zealand to understand the causes of the difference between New Zealand and Cook Islands interest rates. With that information MFEM will then work with the Cook Islands' banks to implement appropriate changes.

## Managing Public Debt

Since the onset of the pandemic, the Cook Islands government has taken on considerable debt to support the Government's response to the COVID-19 pandemic, which also means the Government will have increased debt servicing costs (repayment of debt) over the next decade.



10 year debt servicing profile on drawn debt (\$ million)

**The total debt drawn down in relation to COVID-19 is \$129.1 million, with \$85.5 million available in contingent debt.**

Increased debt servicing costs will result in less funds that can be spent supporting our community or investing in infrastructure for the future.

The government updated the Medium Term Fiscal Framework rules to ensure this debt is managed responsibly and is working on a Medium-Term Debt Strategy. The Government is also working to ensure we minimise interest rates on our loans so that debt servicing levels are manageable. Beyond this, and not specific to the ERR, the Government is working with our aid and debt funding partners to identify more suitable debt facilities that can support not just the Cook Islands, but the Pacific generally.

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**Product**  
Overview  
The Cook Islands government has a number of products that are available to businesses and individuals. These include the Cook Islands Development Bank (CIDB) and the Cook Islands Investment Corporation (CIC). The CIDB provides financing for infrastructure and other development projects, while the CIC provides investment services to businesses and individuals.

**Infrastructure**  
Overview  
The Cook Islands government has a number of infrastructure projects that are currently under construction or in the planning stages. These include the new airport terminal, the new hospital, and the new government offices. The government is working to ensure that these projects are completed on time and within budget.

**Reducing the Cost of B**  
Overview  
The Cook Islands government is working to reduce the cost of borrowing by negotiating better terms with lenders and by issuing government bonds at lower interest rates. The government is also working to improve its credit rating, which will help to reduce the cost of borrowing in the long term.

**Managing Public Debt - Loans and Aid Grants**  
Overview  
The Cook Islands government has a number of loans and aid grants that are currently outstanding. These include loans from the World Bank, the Asian Development Bank (ADB), and the International Monetary Fund (IMF). The government is working to ensure that these loans are used for their intended purposes and that the aid grants are used to support economic recovery.





# INFRASTRUCTURE INVESTMENT ECONOMIC RECOVERY ROADMAP (ERR)



The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive economic recovery from COVID-19 over the next few years. This week we focus on Infrastructure Investment.

Infrastructure investment during an economic downturn can be an effective way to mitigate the impacts of a recession on an economy, through creating more jobs in both the short and long term. Governments across the world, including New Zealand and Australia, have taken this approach in response to reductions in output due to COVID-19. In the Cook Islands, where budgets are tight and construction skills can be hard to come by, we have to carefully weigh up the amount we spend on infrastructure and the timing of that spend. Better planning for infrastructure spending is one of the reasons for this workstream.

The government is applying a short- to medium-term benefit lens to potential infrastructure projects to identify and fund those that offer more immediate economic benefit to the Cook Islands, to help stimulate our economy. The government is also paying more attention to infrastructure planning, including planning for re-investment in existing assets. This workstream is not a single project. Rather it is a focusing of Government's fiscal and operational capacity for infrastructure investment over the next few years towards projects that meet the needs identified above, creating capacity for more jobs without over-stretching the existing available capacity.

This workstream is linked to the ERR Labour Force and Population workstream, because attracting and retaining skilled construction workers will be key to its success.



## This project will be led by multiple Government agencies including:

- Cook Islands Investment Corporation and the Infrastructure Committee,
- Infrastructure Cook Islands
- Ministry of Finance and Economic Management

Infrastructure investment includes building or upgrading roads, public buildings and water systems.



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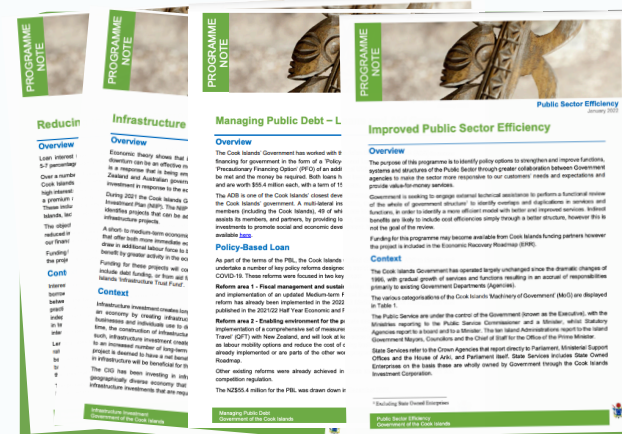
# BARRIERS TO BUSINESS PERFORMANCE ECONOMIC RECOVERY ROADMAP (ERR)

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive economic recovery from COVID-19 over the next few years. This week we focus on Barriers to Business Performance.

Some of our laws, fees and regulations make it hard for new businesses to start in the Cook Islands. Removing barriers to business will help to increase levels of competition, lower prices and diversify the economy. This workstream will review and modernize our business laws to remove barriers to business in the Cook Islands, and ensure that we provide an enabling environment for all types of businesses, including e-commerce. The remoteness of Pacific nations, including the Cook Islands, makes the ability to trade electronically very important. This was highlighted through the COVID-19 pandemic. Even when lockdowns and border closures are lifted, new online buying and selling habits are due to stay. We know there are many enhancements to be made to digital trade readiness. Some of these are already being worked-on. We have plans to improve e-commerce laws and regulations.

This will complement ICT upgrades on Rarotonga and in the Pa Enua and improvements in cyber-security. We will also look at changes in government practices or processes that improve the way government interacts with businesses in their day-to-day work. These include processes for businesses making small claims, transport licensing and registration, and building approvals and we plan to measure business compliance and administrative costs. We also aim to introduce laws for regulating electricity and water utilities, to ensure that public utility services are provided efficiently, safely and reliably for the long-term benefit of all end-users including businesses. This workstream will be led by MFEM, but involves multiple government agencies. These projects will be staggered over the next few years. Over 2022/23 – 2024/25, MFEM will consult publicly on policy options for the projects. We would encourage you to participate in these discussions.

Removing barriers to business in the Cook Islands will help to increase levels of competition, lower prices and diversify the economy.



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# PRODUCTIVITY GROWTH

## ECONOMIC RECOVERY ROADMAP (ERR)

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive economic recovery from COVID-19 over the next few years. This week we focus on Productivity growth.

Productivity growth is one of the key mechanisms that drives the overall economy – it leads to increased wages and a more efficient use of resources. Productivity is important to many of the ERR workstreams.

While standalone, this workstream focusses on tailoring outputs in other ERR workstreams to support increased productivity growth. The Fees Free Extension is an important part of this workstream. Fees Free allows people to undertake education and training to help build their skills, with no cost to enrolment – making it easier for everyone to increase their level of education. This programme provides greater opportunity for people to upskill and increase their human capital – which will benefit both themselves as individuals and the nation as a whole. By removing enrolment fees this opens up the chance to study to more people.

Productivity growth ultimately leads to increased wages and greater efficiency in the use of resources... Addressing these challenges will be difficult, and solutions will take time to implement – with many likely to be strongly related to education and training through the Cook Islands.

### Productivity growth is driven through:

- Increasing peoples' skills base, through education and training
- Encouraging capital investment
- Improving technology.



That means that this workstream has strong links to other ERR workstreams such as Reducing the Cost of Borrowing, Infrastructure Investment and Barriers to Business Performance.

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# PUBLIC SECTOR EFFICIENCY

## ECONOMIC RECOVERY ROADMAP (ERR)

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive economic recovery from COVID-19 over the next few years. This week we focus on Public Sector Efficiency.

An efficient public sector means government agencies work together to be responsive to customers' needs and provide value-for-money services.

The Cook Islands Government has operated largely the same since the dramatic changes of 1996, with growth of services and functions resulting in existing government departments taking on more responsibilities. The expansion of legislative and policy or functional responsibilities, while important for changing community needs, can result in overlaps between Agency responsibilities, and can lead to inefficient delivery of services to the public. It is therefore important to periodically review the Government's structure to make sure it is arranged in the way to best support the Cook Islands community, including private sector businesses. This workstream will look at options to strengthen and improve functions, systems and structures of

the Cook Islands Public Sector, to make the sector more responsive to our customers' needs and expectations and provide value-for-money services. This will be done through a comprehensive Public Service Functional Review to be performed by an external Technical Advisor.



**The review will focus on:**

- Public Service Departments (14)
- Statutory Agencies (10)
- Crown Agencies (7)

A separate review is anticipated for the Island Governments. The ongoing rollout of the Financial Management Information System for Government will also be supported under this programme. The Functional Review will be carried out over 2022, with any recommended changes implemented gradually and managed over the next few years.

This project will be led by the Office of the Public Service Commissioner with the support of the Ministry of Finance and Economic Management. A Central Agencies Governance Group will provide overall oversight of the review.

**PROGRAMME NOTES ARE AVAILABLE ON [www.mfem.gov.ck](http://www.mfem.gov.ck)**

**Reducing Unemployment**  
**Overview**  
Economic theory shows that a downturn can be an effective way to...  
**Context**  
Infrastructure investment creates jobs...  
**Managing Public Debt - L**  
**Overview**  
The Cook Islands Government has worked with a...  
**Policy-Based Loan**  
As part of the terms of the PBL, the Cook Islands...  
**Reform area 2 - Enabling environment for the p...**  
The Public Service are under the control of the Government...  
**Improved Public Sector Efficiency**  
**Overview**  
The purpose of the programme is to identify policy options to strengthen and improve functions, systems and structures of the Public Sector through greater collaboration between Government agencies to meet the wider more responsive to our customers' needs and expectations and provide value-for-money services.

For more information go to [www.mfem.gov.ck/err](http://www.mfem.gov.ck/err)





# LABOUR FORCE AND POPULATION ECONOMIC RECOVERY ROADMAP (ERR)

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive economic recovery from COVID-19 over the next few years. This week we focus on Labour Force and Population.

Population size has direct links to economy size – a sustainably growing population will increase GDP, and help raise levels of living standards, along with opportunities for education, jobs and income. But a declining population will result in slower economic growth, and the government has less money to spend on infrastructure and social services.

In the short-term, this includes measures to address the decline in our population due to the pandemic, such as:

- Immediate steps to recruit migrant labour and facilitate the transfer to the Cook Islands
- Better measurement of migration through the reintroduction of departure cards

In the long-term, this includes measures to develop the Cook Islands workforce, such as:

- Policy changes to support sustainable workforce growth for Cook Islanders
- Better labour practices, particularly

- for employment of migrant workers
- Promotion of working holiday visa pathways
- Diaspora attraction



**This project will be led by multiple Government agencies including:**

- Ministry of Finance and Economic Management (MFEM)
- Internal Affairs (INTAFF)
- Ministry of Foreign Affairs & Immigration (MFAI)
- Office of the Prime Minister (OPM)

This workstream is linked to other ERR workstreams, including infrastructure investment, removing barriers to business, fees free study and continued business support measures under the Economic Response Plan.

Over time, the nation is aiming toward a sustained workforce and resident population (as recognized in goal 14 of the National Sustainable Development Agenda (NSDA) "A Sustainable Population".

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# FOREIGN INVESTMENT ECONOMIC RECOVERY ROADMAP (ERR)



The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive economic recovery from COVID-19 over the next few years. This week we focus on Foreign investment to benefit the Cook Islands.

Investment into the Cook Islands from abroad provides an important source of economic stimulus as the economy recovers from the pandemic. In particular, for a small economy such as ours, foreign investment can help to finance projects with a large scale or higher risk level where it may be hard to find local investors. This investment can also provide demand for workers and locally produced goods and services that otherwise wouldn't be available.

**This workstream will review investment rules in the Cook Islands with the effects of the pandemic in mind. This includes:**

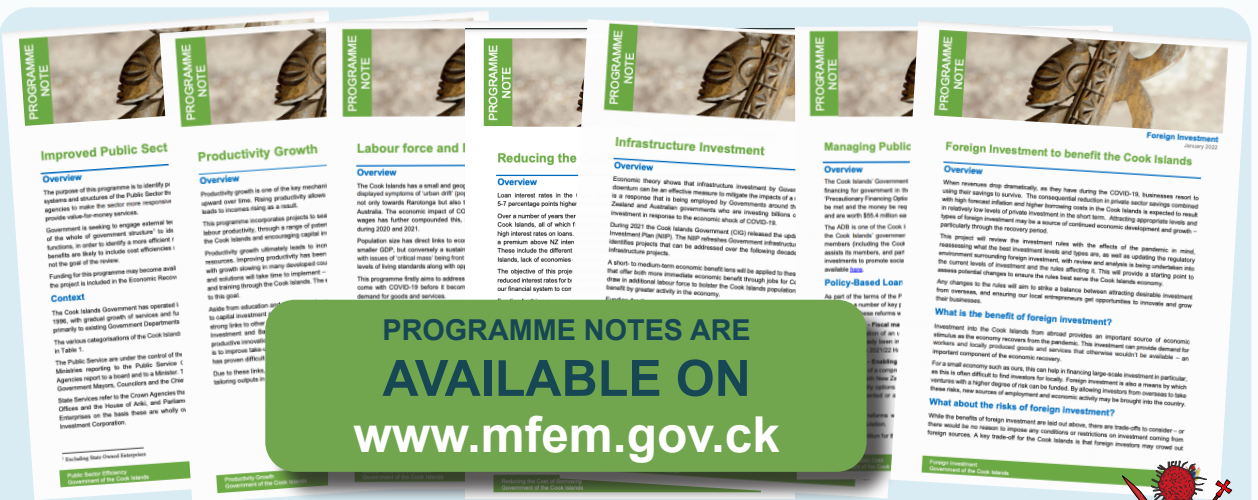
- reassessing the best investment levels and types
- reassessing the goals of allowing foreign investment in the Cook Islands
- updating regulations around foreign investment.

The next step in this workstream is reviewing the Cook Islands' current investment rules. Following this review, in 2022/2023 BTIB and MFEM will consult publicly on any proposed changes to the rules. We would encourage you to participate in these discussions. Any changes will aim to strike a balance between attracting desirable investment from overseas, and ensuring our local entrepreneurs get opportunities to innovate and grow their businesses.



**This project will be led by Government agencies including:**

1. Business Trade and Investment Board
2. Ministry of Finance and Economic Management



For more information go to [www.mfem.gov.ck/err](http://www.mfem.gov.ck/err)

