

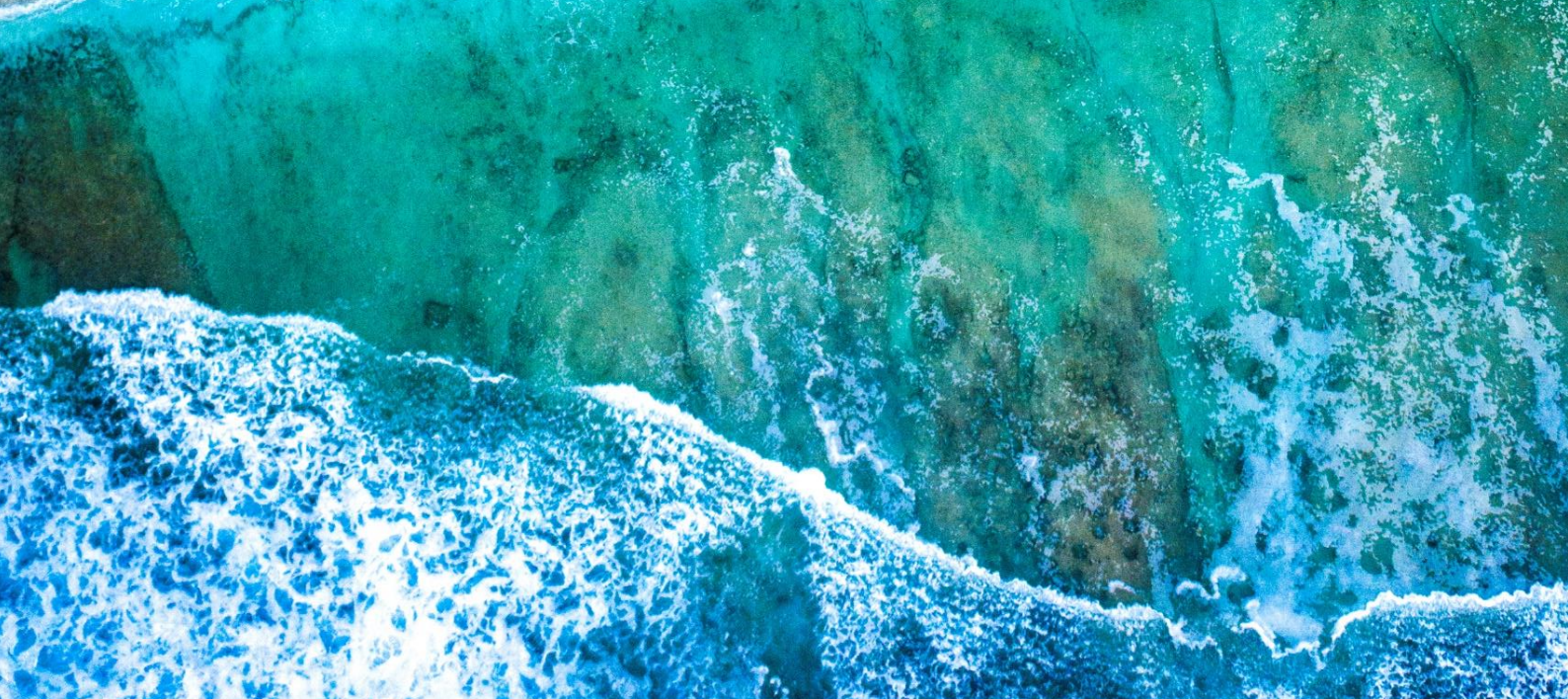


TE TANGO AKATEREANGA MONI O TE IPUKAREA  
MINISTRY OF FINANCE & ECONOMIC MANAGEMENT  
**GOVERNMENT OF THE COOK ISLANDS**

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# Economic Recovery Roadmap: Monitoring Report 2021/22

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## Acronyms

ADB	Asian Development Bank
BTIB	Business Trade and Investment Board
CAPEX	Capital expenditure
CIIC	Cook Islands Investment Incorporation
CITTI	Cook Islands Tertiary and Training Institute
EDS	Economic Development Strategy 2030
EPD	Economic Planning Division
ERP	Economic Response Plan
ERR	Economic Recovery Roadmap
GDP	Gross Domestic Product
HOM	Head of Ministry
HYEFU	Half-Year Economic and Fiscal Update
ICI	Infrastructure Cook Islands
INTAFF	Ministry of Internal Affairs
MFAI	Ministry of Foreign Affairs and Immigration
MFAT	Ministry of Foreign Affairs and Trade
MFEM	Ministry of Finance and Economic Management
MOE	Ministry of Education
MOJ	Ministry of Justice
M&E	Monitoring and Evaluation
NSDA	National Sustainable Development Agenda 2020+
NSO	National Statistics Office
OPM	Office of the Prime Minister
OPSC	Office of the Public Service Commissioner
PSTF	Private Sector Task Force
RBNZ	Reserve Bank of New Zealand
RMD	Revenue Management Division
TMD	Treasury Management Division
TMO	Te Marae Ora Cook Islands Ministry of Health
USP	University of the South Pacific
VAT	Value-Added Tax

## Executive summary

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The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive the Cook Islands' economic recovery over the next few years. The objective of the ERR is to grow the Cook Islands' GDP to pre-COVID levels (around \$550 million),<sup>1</sup> and towards the path we would have been on pre-COVID by 2025, while keeping within our fiscal responsibility rules. The ERR uses the Cook Islands Economic Development Strategy 2030 (EDS) as a foundation.

ERR total 2021/22 spend was \$42.41 million. The focus of the ERR in 2021/22 was continuing business support measures introduced under the ERP, as the border closures and subsequent restrictions delayed visitors returning to the islands. From August 2021 to April 2022, the Wage Subsidy supported 455 businesses and at least 3,178 employees, Business Grants supported 460 businesses, and Sole Trader Grants supported 174 sole traders.

Other highlights from 2021/22 include:

- \$0.16 million of Isolation Support Payments provided between April and June 2022
- delivery of an external report on the drivers of the cost of borrowing in the Cook Islands
- Medium-term Debt Strategy finalised
- engaged the Technical Advisors leading the e-commerce assessment and strategy
- procured and implemented departure cards
- progressed actions to facilitate migrant worker transfers
- Ministry of Foreign Affairs and Immigration approved 230 work permit applications
- received draft ADB diagnostic on Cook Islands foreign investment policy and operation.

This report provides an assessment against the ERR outcome and output indicators for the 2021/22 fiscal year, to align with annual Budget reporting. However, some indicators are reported by calendar year. For this ERR monitoring report, each indicator is either reported against the 2021 calendar year, or the 2021/22 fiscal year.

The report includes the latest data available as a January 2023, with most economic indicators sourced from the 2022/23 HYEPU. Some indicators are included in reporting under the EDS and the NSDA, and will be included in reporting for these programmes.

In 2021/22, seven of the ERR outcome indicators are assessed as 'on track', four are 'of concern' and one is 'off track'. Ten indicators are not assessed, as the data is not yet available.

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<sup>1</sup> Real GDP in 2016 dollars

# Introduction

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The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive the Cook Islands' economic recovery over the next few years. The objective of the ERR is to grow the Cook Islands' GDP to pre-COVID levels (around \$550 million),<sup>2</sup> and towards the path we would have been on pre-COVID by 2025, while keeping within our fiscal responsibility rules. The ERR workstreams are not mutually exclusive; each work together to help achieve this overarching objective.

The ERR was launched in July 2021, and is expected to be implemented through to June 2026. The ERR uses the Cook Islands Economic Development Strategy 2030 (EDS) as a foundation.<sup>3</sup> The EDS will continue to act as a guiding document over the next decade, outlining actions to support the Cook Islands' continued development via the National Sustainable Development Agenda 2020+ (NSDA).<sup>4</sup>

This report provides an assessment against the ERR outcome and output indicators for the 2021/22 fiscal year. This report should be read alongside the 2021 EDS monitoring report.

## Methodology

This report is set against the fiscal year (July to June), to align with annual Budget reporting. However, some indicators are reported by calendar year. For this ERR monitoring report, each indicator is either reported against the 2021 calendar year, or the 2021/22 fiscal year.

The information contained in this report represents the available data as at January 2023, with most economic indicators sourced from the 2022/23 HYEUFU. Some baseline indicators and targets are not yet available; these are marked **with yellow text** and will be included in subsequent monitoring reports as they are determined or become available.

Unless otherwise stated, results against most indicators will be collected and reported on annually. Where data comes from the annual Budget process, actual results are preferred over estimated actuals. This means final data can lag by up to six months. Some indicators rely on Census data, which the Cook Islands Statistics Office (CISO) collects every five years. Census reports can take up to two years to publish after the data collection.

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<sup>2</sup> Real GDP in 2016 dollars

<sup>3</sup> Ministry of Finance and Economic Management. 2021. "Cook Islands Economic Development Strategy 2030". [http://www.mfem.gov.ck/images/ECON/1-EDS\\_Final\\_for-publication\\_Optimized.pdf](http://www.mfem.gov.ck/images/ECON/1-EDS_Final_for-publication_Optimized.pdf).

<sup>4</sup> Government of Cook Islands. 2021. "Te Kaveinga Iti 5 Year Score Card". Te Ara Akapapa'anga Nui: NSDA 2020+. <https://www.pmooffice.gov.ck/wp-content/uploads/2021/12/Te-Kaveinga-Iti-5-Mataiti-Digital.pdf>.

Indicators that sit under the EDS are marked with green text. MFEM will publish results against these indicators in the annual EDS monitoring report. Indicators that sit under the NSDA are marked with blue text. The Office of the Prime Minister (OPM) will publish results against these indicators through annual NSDA reporting. To avoid duplication of analysis, this report refers readers to NSDA and EDS reporting for progress towards the ERR indicators included in these programmes.

The current status of each indicator is assessed using a traffic light system, where green represents 'on track', yellow represents 'of concern' and red represents 'off track'. Where data for an indicator is not yet available, the status is 'not assessed'.

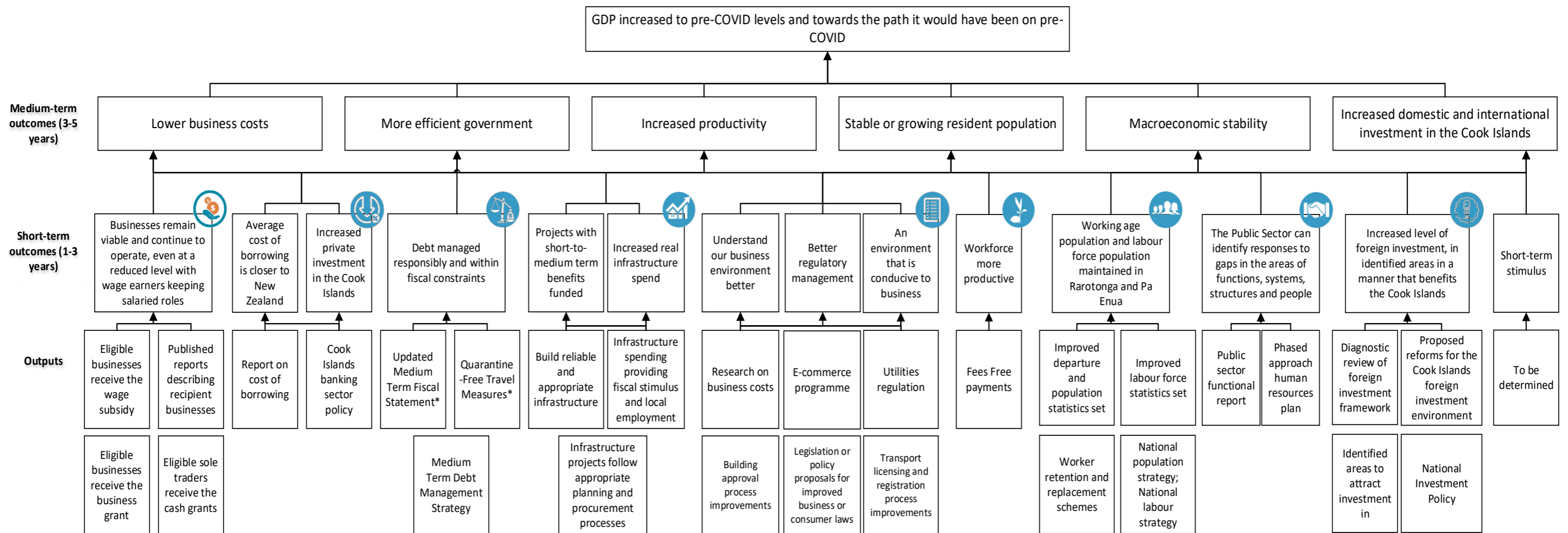


# Results Diagram

**Primary Goal:** Expand economic opportunities for all; improve economic resilience, and productive employment to ensure decent work for all (NSDA Goal 3)

**Secondary Goals:**

- Connecting our nation through infrastructure, transport and ICT (NSDA Goal 6)
- Ensure inclusive and equitable quality education and promote life-long learning opportunities (NSDA Goal 8)
- A sustainable, engaged Cook Islands People and society (NSDA Goal 14)
- Promote a peaceful and just society and practice good governance with transparency and accountability (NSDA Goal 15)
- Foreign investment rules that best serve the Cook Islands Community



\*Implemented as part of the ADB Loan Agreement

## ERR 2021/22 progress

The focus of the ERR in 2021/22 was continuing business support measures introduced under the ERP, as the border closures and then border restrictions delayed visitors returning to the islands. ERR total 2021/22 spend was \$42.41 million, compared to the latest estimate of \$45.00 million reported in the 2022/23 Budget Estimates.

The table below outlines total ERR expenditure for 2021/22.

	2021/22 expenditure
ERP - Wage Subsidy	\$29,424,672
ERP - Sole Trader Grants	\$807,000
ERP - Business Grants	\$9,944,000
ERP - Air Rarotonga Pa Enea Subsidy	\$550,000
ERP - SMART Economy	\$50,000
ERP - SMART Agritech	\$124,673
<b>Total Continued ERP Measures</b>	<b>\$40,900,345</b>
Fees Free Extension	\$223,413
Labour force and population	\$24,473
Isolation Support Payments	\$159,542
Operating Expenses & Programme Management	\$1,099,265
<b>Total ERR Measures</b>	<b>\$1,506,693</b>
<b>Total ERR Expenditure</b>	<b>\$42,407,038</b>

From August 2021 to April 2022, the Wage Subsidy supported 455 businesses and at least 3,178 employees, Business Grants supported 460 businesses, and Sole Trader Grants supported 174 sole traders. Other highlights from 2021/22 include:

- \$0.16 million of Isolation Support Payments between April and June 2022 for people unable to work due to Isolation or Quarantine Orders
- delivery of an external report on drivers of the cost of borrowing in the Cook Islands
- Medium-term Debt Strategy finalised
- engaged the Technical Advisors leading the e-commerce assessment and strategy
- procured and implemented departure cards
- progressed actions to facilitate migrant workers
- Ministry of Foreign Affairs and Immigration approved 230 work permit applications
- received draft ADB diagnostic on Cook Islands foreign investment policy and operation.

## Progress towards long-term outcome

### Indicator 1.1 - Gross Domestic Product (GDP) – On Track

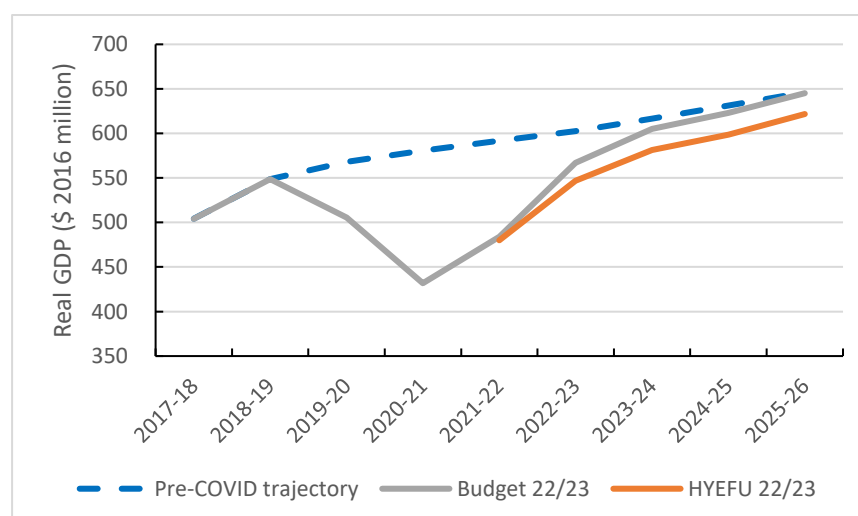
This indicator relates to the long-term ERR outcome that GDP is increased to pre-COVID levels and towards the path we would have been on pre-COVID. This is measured through the annual change in real GDP (the value of goods and services produced by an economy in a specific time period, adjusted for inflation).

#### Results

Year	Real GDP (\$ million)
2017/18	\$463.227
2018/19	\$525.683
2019/20 (baseline)	\$503.427
2020/21	\$407.782
<b>2021/22</b>	<b>\$455.992</b>
2022/23 (forecast)	\$509.042
2023/24	\$543.472
2024/25	\$563.328
<b>Target</b>	<b>Increasing by 2022/23, approaching \$550 million by 2024/25 and increasing thereafter</b>

#### Analysis

As shown in the chart below, between 2017/18 and 2018/19, real GDP increased from \$504.3 million to \$531.2 million, while the 2019 calendar year saw real GDP of \$539.7 million.



Extrapolating the 2019/20 HYEUFU data (shown in the blue section of the chart), real GDP was forecast to reach approximately \$631.2 million in 2024/25. As at the 2022/23 HYEUFU, real GDP is forecast to reach approximately \$563.3 million in 2024/25

This indicator is assessed as 'on track', though will be closely monitored as technical issues with the data are resolved, which may lead to revisions.

### **Comments on methodology**

The baseline for this indicator is the real GDP trend shown in the three fiscal years prior to and including 2019/20, using constant 2016 prices. This baseline reflects the overall objective of the ERR, which is for real GDP to approach pre-COVID levels (around \$550 million) by 2024/25. The pre-COVID trajectory data is sourced from the 2019/20 HYEUFU. The green line shows the GDP trajectory as at the 2022/23 HYEUFU. Note this forecast comparison should be treated with caution, as MFEM changed the GDP methodology between 2019/20 and 2022/23.

## Progress towards medium-term outcomes

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There are six medium-term outcomes under the ERR. These will start to be realised over the next three to five years:

- Lower business costs
- More efficient government
- Increased productivity
- Stable or growing resident population
- Macroeconomic stability
- Increased domestic and international investment in the Cook Islands.

The medium-term outcomes do not directly relate to specific ERR workstreams, rather the outputs from each workstream collectively contribute to these outcomes.

Progress towards these outcomes is measured through ten indicators. Five of these are specific to the ERR and reported against in this section.

### **Indicator 2.1 - Cost of doing business and trade (TBC)**

This indicator relates to the medium-term ERR outcome of lower business costs. This will be measured through the MFEM business cost report, which will be developed in 2023/24.

This is linked to a similar indicator included in the NSDA under Goal 13: Economy, Employment, Trade and Enterprise. The baseline data and methodology for the NSDA indicator is not yet available.

The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

### **Indicator 2.2 - Nominal GDP to Government Operating Expenditure ratio (EDS)**

This indicator relates to the medium-term ERR outcome of more efficient government. As the EDS notes, the Cook Islands Government faces many challenges in providing services to its small and remote population.

It is included in the EDS under Objective 2: Transforming our Economy as a measure of Government productivity, where the value of economic activity for each taxpayer dollar spent is a rough measure of government productivity. Results under this indicator will be published through the annual EDS indicator report.

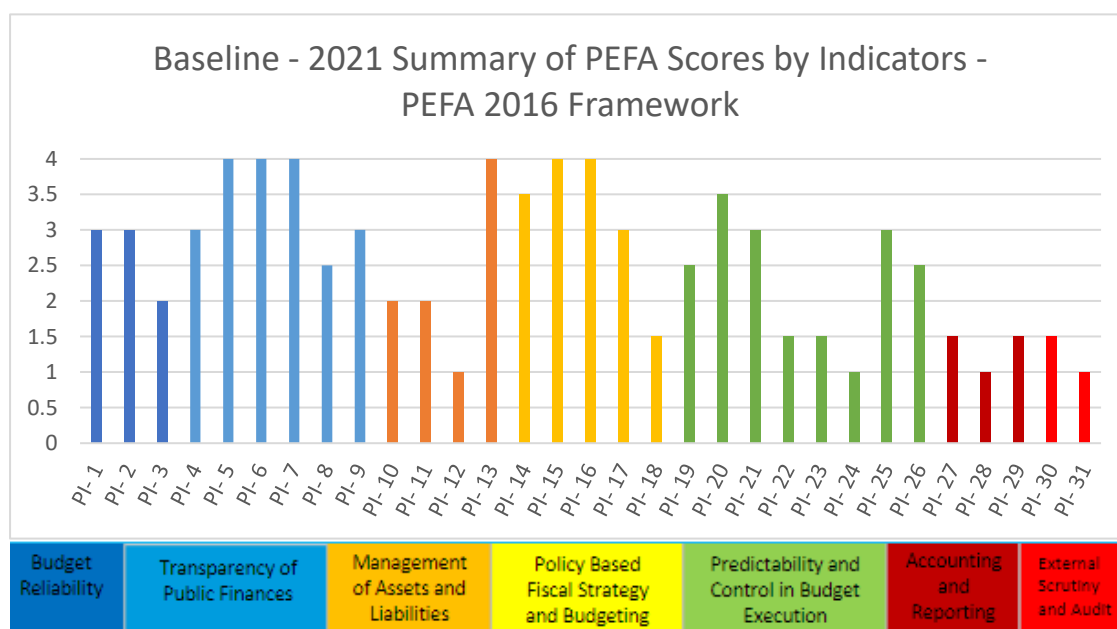
## Indicator 2.3 - Public Expenditure and Financial Accountability Review (PEFA) – Not Assessed

This indicator relates to the medium-term ERR outcome of more efficient government. This will be measured through the most recent PEFA review, which occurs at least every four years.

### Results

Year	PEFA Assessment score
2021 (baseline)	10 out of 31 indicators with a score of less than 2
2021	No change
Target	Minimum score of C (equal to a value of two on the chart) for each indicator

### Analysis



Given the PEFA assessment was conducted in 2021, there are no further updates for this indicator for 2021/22. Therefore this indicator is classified as 'not assessed'.

### Comments on methodology

The baseline for this indicator is the 2021 Cook Islands Agile PEFA Assessment.<sup>5</sup> Results for this indicator will be available approximately every five years.

<sup>5</sup> <https://www.pefa.org/node/4957>

## Indicator 2.4 - Average performance of government ministries (NSDA)

This indicator relates to the medium-term ERR outcome of more efficient government. OPSC provides Parliament with an annual performance assessment of Government ministries as part of the Public Sector Commissioner's Annual Report to Parliament.

This indicator is included in the NSDA under Goal 15: Our Security, a Peaceful and Just Society. Results under this indicator will be published through OPM's NSDA reporting.

## Indicator 2.5 - Real GDP per capita – Of Concern

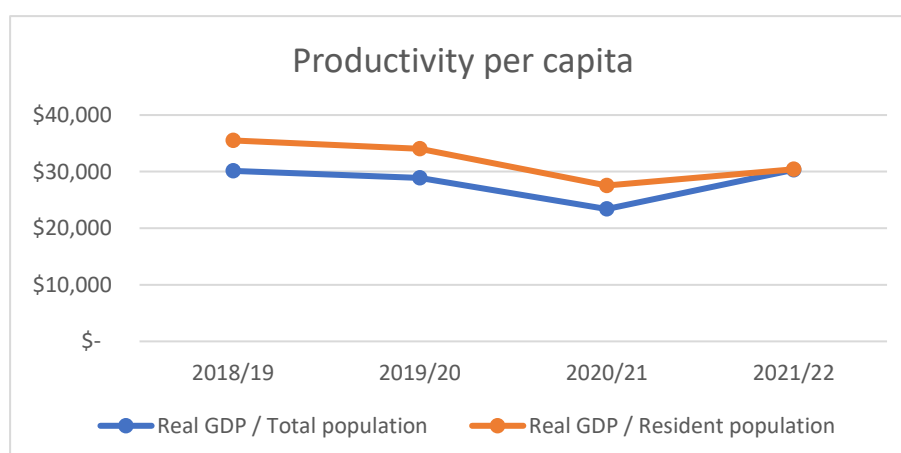
This indicator relates to the medium-term ERR outcome of increased productivity. This is measured through real GDP divided by the total population, and real GDP divided by the resident population, as defined by the Census.

### Results

Year	Real GDP/total population	Real GDP/resident population
2018/19 (baseline)	\$30,153	\$35,514
2019/20	\$28,876	\$34,041
2020/21	\$23,390	\$27,549
<b>2021/22</b>	<b>\$30,319</b>	<b>\$30,426</b>
<b>Target</b>	<b>Trend of real GDP per capita growth for both measures</b>	

### Analysis

As shown in the chart below, both measures of productivity decreased from 2018/19 to 2020/21. In 2021/22, real GDP divided by the population increased more than real GDP divided by the resident population. Therefore, this indicator is assessed as 'of concern'.



## Comments on methodology

The baseline for this indicator is the 2018/19 fiscal year, sourced from the 2019/20 HYEFU and 2016 Census population statistics. Data for the 2021/22 fiscal year is sourced from the 2022/23 HYEFU and 2021 Census population statistics. CISO reports regularly on GDP data, and issues revisions when necessary.

## Indicator 2.6 - Real growth in high-value private sector industries – Of Concern

This indicator relates to the medium-term ERR outcome of increased productivity. It looks at the rate of economic growth in private industries other than tourism versus the rate of growth of the economy as a whole that is not directly derived from tourism but comes from other industries, such as finance and construction.

This indicator is related to the NSDA Goal 3: Economy, Employment, Trade and Enterprise. However, the NSDA indicator uses a different methodology – calculating ‘all non-tourist related industries’ (where GDP for the industries of wholesale and retail trade, and restaurants and accommodation are subtracted from the overall total GDP).

This indicator is also related to the EDS Objective 2: Transforming our Economy, as expanding our non-tourism service exports and merchandise exports offers another opportunity for consistent job creation and income growth, leading to a more diversified and more resilient economy.

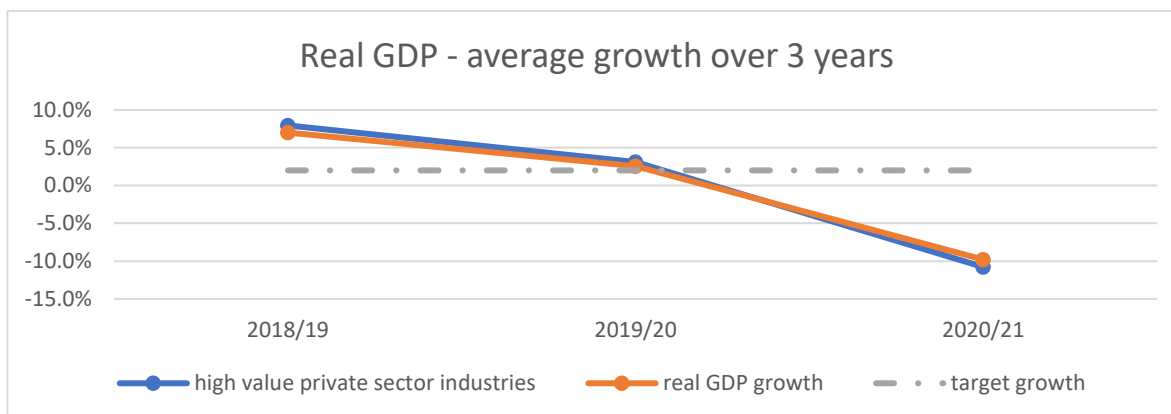
## Results

Year		Growth in high-value industries		Total growth (2016 constant prices)	
		Annual	3-year average	Annual	3-year average
Baseline	2016/17	9.7%	n/a	6.8%	n/a
	2017/18	14.5%	n/a	8.9%	n/a
	2018/19	-0.4%	7.9%	5.3%	7.0%
2019/20		-4.8%	3.1%	-6.5%	2.6%
2020/21		-27.1%	-10.8%	-28.2%	-9.8%
2021/22		n/a	n/a	n/a	n/a
Target		Average of two per cent growth in high-value private sector industries over a three-year period			



## Analysis

Real GDP from high-value private sector industries declined at an estimated -27.1 per cent in 2020/21, averaging -10.8 per cent real growth over the three years to 2020/21. Total real GDP growth follows the same trend, averaging -9.8 per cent over the three years to 2020/21. This indicator is therefore assessed as 'of concern'.



## Comments on methodology

High-value private sector industries are defined as:

- Mining and Manufacturing
- Construction
- Trade
- Information and Communication
- Finance and Insurance
- Professional, Administrative, etc.

This list excludes sectors such as Public Administration and Education, where an increase in GDP share would likely be due to an increase in Government spending. It also excludes small industries such as fishing, that make up a relatively small proportion of GDP.

The percentage change (year on year) is used to measure growth in these industries. The baseline for this indicator is the average growth in production of these industries (measured by real GDP at constant 2016 prices) over the three years to 2019/20; sourced from the annual Budgets. Data for 2021/22 is not yet available.

This indicator has several limitations, most notably the assumptions of which industries are tourism-related, and which are high-value. A further limitation is given tourism is integrated into many aspects of the Cook Islands' economy, some of the industries above may be partly tourist-related. For example, some retail and telecommunications trade will relate to tourist rather than local trade. MFEM cannot split tourist related and non-tourist related aspects of a sector.

### **Indicator 2.7 - Resident population (NSDA; EDS)**

This indicator relates to the medium-term ERR outcome of stable or growing resident population, measured through the number of residents in Rarotonga and the Pa Enua, as reported in the Census. This indicator is included in the NSDA under Goal 14: A Sustainable Population. Results under this indicator will be published through OPM's NSDA reporting.

This indicator is also included in the EDS under Objective 3: Developing our People and Culture, as population is a key driver of the Cook Islands economy. Results under this indicator will be published through the annual EDS indicator report.

### **Indicator 2.8 - Financial Responsibility Index (NSDA)**

This indicator relates to the medium-term ERR outcome of macroeconomic stability. It assesses the Government's financial management using a financial responsibility index consisting of eight financial responsibility ratios used by MFEM. This recognises the need for the Government to manage public funds in a prudent and financially sustainable manner.

This indicator is included in the NSDA under Goal 15: Our Security, a Peaceful and Just Society. Results under this indicator will be published through OPM's NSDA reporting.

### **Indicator 2.9 - Business confidence (EDS)**

This indicator relates to the medium-term ERR outcome of macroeconomic stability. This is measured through the percentage of Cook Islands businesses (tourism and non-tourism) that agree or strongly agree with the statements:

- "My business performed well in the last year"
- "I am confident my business will do well in the coming year"

This indicator is also included in the EDS under Objective 4: Investing in our Islands, as Cook Islands business confidence reflects the economic outlook. Results under this indicator will be published through the annual EDS indicator report.

### **Indicator 2.10 - Domestic and international investment in the Cook Islands (TBC)**

This indicator relates to the medium-term ERR outcome of increased domestic and international investment in the Cook Islands.

The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

## Progress towards short-term outcomes

There are 14 short-term outcomes under the ERR. These will begin to be realised over the next one to three years. Each short-term outcome relates directly to an ERR workstream; some workstreams have one short-term outcome while others have multiple.

### Indicator 3.1 - Number of inactive businesses – On Track

This indicator sits under the ERP continuation workstream. It relates to the short-term outcome that businesses remain viable and continue to operate, even at a reduced level, with wage earners keeping salaried roles. This indicator is carried over from the ERP, as it specifically relates to the ERP measures continued under the ERR.

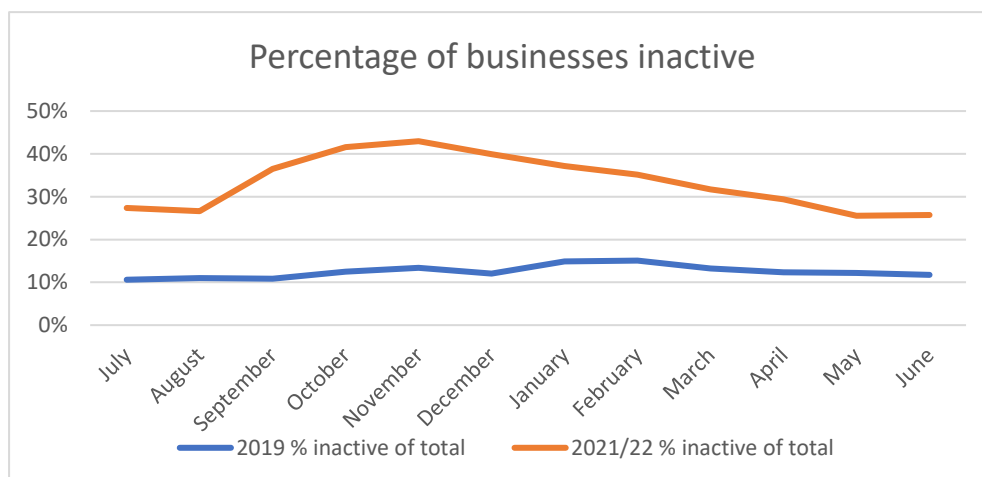
#### Results

	Baseline (2019)		2021/22	
	Inactive	As % of total businesses	Inactive	As % of total businesses
July	94	11%	156	17%
August	98	11%	145	16%
September	97	11%	238	26%
October	112	12%	270	29%
November	120	13%	275	30%
December	109	12%	255	28%
January	130	15%	205	22%
February	133	15%	184	20%
March	117	13%	167	18%
April	110	12%	151	17%
May	109	12%	118	13%
June	104	12%	123	14%
Monthly average	94	11%	156	17%
<b>Target</b>	<b>n/a</b>			

#### Analysis

As shown in the chart below, 2021/22 saw a consistently higher percentage of inactive businesses compared to the equivalent months in 2019. The increase in inactivity from August

2021 to April 2022 corresponds with the border closure and extension of business support measures.



As there is no target for this indicator, and the percentage of inactive businesses is trending towards 2019 levels by the end of the fiscal year, this indicator is assessed as 'on track'.

### Baseline data and methodology

For the purposes of this indicator, the number of inactive businesses is measured as the number of businesses registered as inactive for tax purposes with MFEM's Revenue Management Division (RMD). This is compared to the total number of businesses registered as active for tax purposes. The baseline for this indicator is the corresponding month in 2019. For example, the baseline for September 2021 is September 2019. This indicator is part of a monthly data set collected by RMD.

### Indicator 3.2 - Value Added Tax (VAT) – On Track

This indicator sits under the ERP continuation workstream. It relates to the short-term outcome that businesses remain viable and continue to operate, even at a reduced level, with wage earners keeping salaried roles. This indicator is carried over from the ERP, as it specifically relates to the ERP measures continued under the ERR.

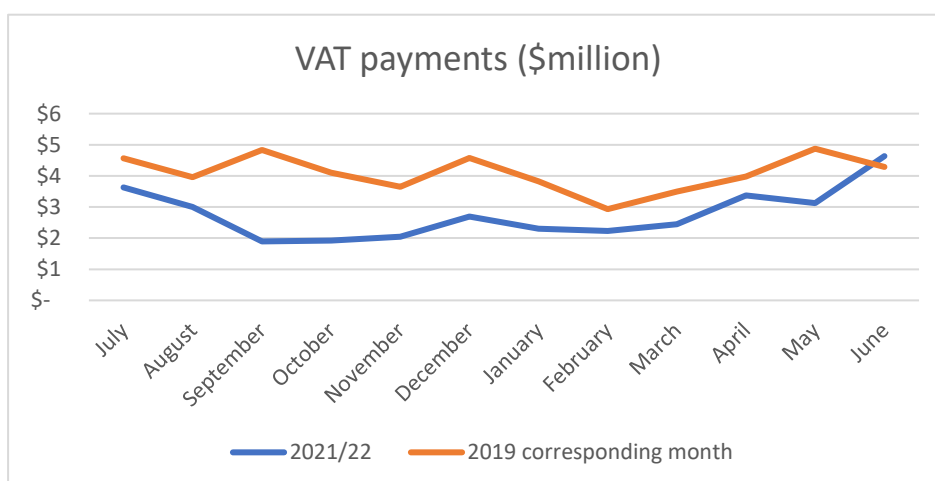
### Results

	2019 VAT payments (baseline)	2021/22 VAT payments	Percentage of 2019 corresponding month
July	\$3,625,549	\$4,569,235	79%
August	\$2,999,524	\$3,953,734	76%
September	\$1,893,758	\$4,833,717	39%

	2019 VAT payments (baseline)	2021/22 VAT payments	Percentage of 2019 corresponding month
October	\$1,923,535	\$4,100,228	47%
November	\$2,049,796	\$3,645,239	56%
December	\$2,690,800	\$4,572,689	59%
January	\$2,301,023	\$3,827,615	60%
February	\$2,227,815	\$2,930,881	76%
March	\$2,446,594	\$3,498,890	70%
April	\$3,374,526	\$3,980,366	85%
May	\$3,124,676	\$4,482,792	70%
June	\$4,633,962	\$4,289,078	108%
Total	\$33,291,558	\$48,684,463	68%
Monthly average	\$2,774,297	\$4,057,039	n/a
<b>Target</b>	<b>n/a</b>		

### Analysis

As shown in the chart below, VAT payments in 2021/22 largely followed the same trend as the 2019 corresponding month. In July 2021, VAT payments represented 79% of payments in July 2019. By June 2022, VAT payments represented 108% of payments in June 2019. Some component of this growth in 2022 is due to rising prices.



As there is no target for this indicator, and by the end of 2021/22 VAT payments exceed the equivalent 2019 month, this indicator is assessed as 'on track'.

## Baseline data and methodology

This indicator measures the total amount of VAT payments on the sales of goods and services and income and purchases of goods and services in the Cook Islands. The baseline for this indicator is the corresponding month in 2019. For example, the baseline for September 2021 is September 2019.

## Indicator 3.3 - Business turnover – On Track

This indicator sits under the ERP continuation workstream. It relates to the short-term outcome that businesses remain viable and continue to operate, even at a reduced level, with wage earners keeping salaried roles. This indicator is carried over from the ERP, as it specifically relates to the ERP measures continued under the ERR.

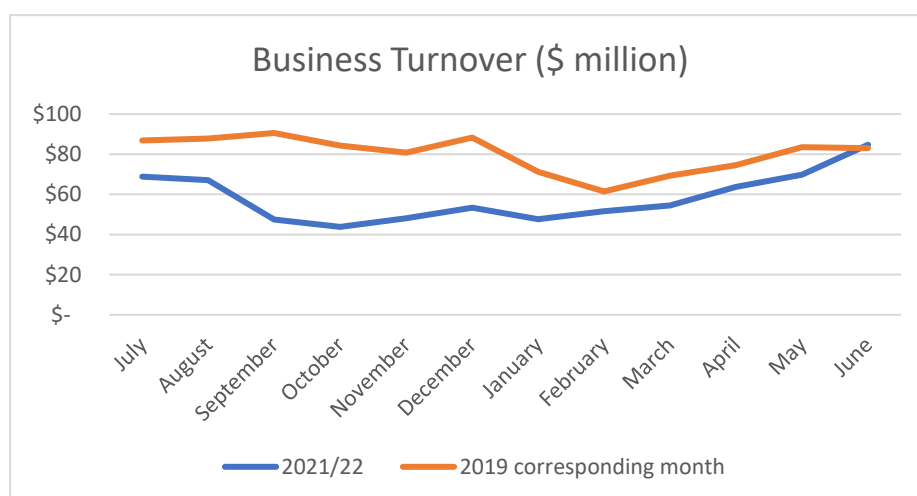
### Results

	2019 business turnover (baseline)	2021/22 business turnover	Percentage of 2019 corresponding month
July	\$86,808,552	\$68,774,646	79%
August	\$87,782,529	\$67,091,485	76%
September	\$90,751,336	\$47,486,094	52%
October	\$84,281,172	\$43,802,710	52%
November	\$80,857,620	\$48,072,946	59%
December	\$88,235,107	\$53,362,852	60%
January	\$71,177,286	\$47,596,750	67%
February	\$61,457,711	\$51,586,818	84%
March	\$69,229,492	\$54,481,846	79%
April	\$74,572,116	\$63,656,886	85%
May	\$83,477,976	\$69,796,206	84%
June	\$83,025,119	\$84,723,693	102%
Total	\$961,656,017	\$700,432,932	73%
Monthly average	\$80,138,001	\$58,369,411	n/a
<b>Target</b>	<b>n/a</b>		

### Analysis

As shown in the chart below and similar to VAT payments, business turnover in 2021/22 largely followed the same trend as the 2019 corresponding month. In July 2021, business

turnover represented 79% of turnover in July 2019. By June 2022, business turnover represented 102% of turnover in June 2019.



As there is no target for this indicator, and by the end of 2021/22 business turnover exceed the equivalent 2019 month, this indicator is assessed as 'on track'.

### Baseline data and methodology

This indicator measures the total value of business turnover in the Cook Islands. The baseline for this indicator is the corresponding month in 2019. For example, the baseline for September 2021 is September 2019.

### Indicator 3.4 - Nominal interest rate of New Zealand and Cook Islands banks – On Track

This indicator sits under the Cost of borrowing workstream. It relates to the short-term outcome that the average cost of borrowing is closer to New Zealand. This is measured through comparing nominal interest rates for the main banks in each country.

### Results

Interest rates (%)		Cook Islands	New Zealand	Difference
8 December 2021 (baseline)	Personal savings account	0.18	0.09	0.09
	3-month term deposit	2.18	0.65	1.53
	Housing loans	8.25	3.67	4.58
	Business loans	9.07	2.68	6.39
	Personal loans	12.68	14.66	-1.98

Interest rates (%)		Cook Islands	New Zealand	Difference
16 August 2022	Personal savings account	0.28	0.90	-0.62
	3-month term deposit	2.13	1.78	0.36
	Housing loans	7.25	4.97	2.28
	Business loans	8.6	4.50	4.10
	Personal loans	17.33	14.91	2.42
Target	Trend towards smaller gaps between the Cook Islands and New Zealand banks interest rates			

### Analysis

As shown in the table above, between December 2021 and August 2022, the difference between average interest rates offered by Cook Islands and New Zealand banks decreased for three products. While it is difficult to say whether this decrease represents a lasting trend, or is a temporary change as a result of the COVID-19 pandemic, for 2021/22 this indicator is assessed as 'on track'.

### Baseline data and methodology

The baseline for this indicator is nominal interest rates for five banking products compiled on 8 December 2021 for the RBNZ-commissioned BERL report on Cook Islands banking. EPD will collect this data every six months from the individual bank websites (as the aggregated data is unavailable from the RBNZ or the CISO). To mitigate as far as possible comparing different products across banks, EPD uses a set methodology for each product. The interest rates in the table above represent the average rate for each product across three Cook Islands banks and four New Zealand banks at a point in time, rather than across the year.<sup>6</sup>

### Indicator 3.5 - Private investment in the Cook Islands (TBC)

This indicator sits under the Cost of borrowing workstream. It relates to the short-term outcome of increased private investment in the Cook Islands.

The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

<sup>6</sup> Cook Islands banks: ANZ, BCI, BSP; New Zealand banks: ANZ, ASB, Kiwibank, Westpac.



### Indicator 3.6 - Debt servicing profile – On Track

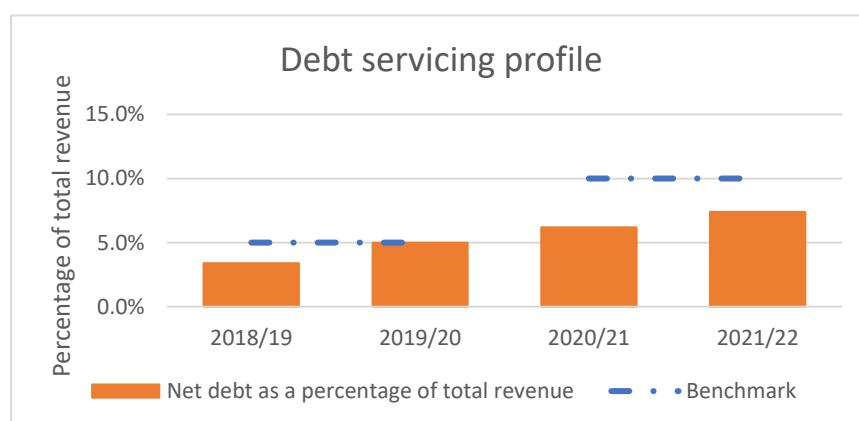
This indicator sits under the Managing public debt workstream. It relates to the short-term outcome of debt being managed responsibly and within fiscal constraints. The indicator measures the amount of cash required to cover the payment of interest and principal for the Cook Islands Government debt for a particular period. This indicator calculates debt as a percentage of total revenue.

#### Results

Year	Net debt servicing (\$m)	Percentage of total revenue	Benchmark
2018/19 (baseline)	\$7.3	3.4%	5%
2019/20	\$9.9	5.0%	5%
2020/21	\$10.0	6.2%	10%
<b>2021/22</b>	<b>\$13.3</b>	<b>7.4%</b>	<b>10%</b>
<b>Target</b>	<b>Meet the benchmark under the MTFS</b>		

#### Analysis

As shown in the chart below, net debt as a percentage of total revenue remained below the MTFS benchmark over the reporting period. This indicator is therefore assessed as 'on track'.



#### Baseline data and methodology

MFEM will update this indicator bi-annually as part of the Budget and HYEPU reporting. The COVID-19 pandemic necessitated a temporary departure of the existing fiscal rules, and development of revised rules to more accurately reflect the fiscal context of the COVID-19 economic environment. The benchmark for this indicator was therefore revised from 5% to 10% in 2021 with the fiscal rules update. This benchmark, while informed by the fiscal rules,

represents only a guideline and not a fiscal rule. The temporary departure from the rules is expected to cease in the 2023/24 fiscal year as the economic conditions improve.

### Indicator 3.7 - Net debt to GDP ratio (NSDA; EDS)

This indicator sits under the Managing public debt workstream. It relates to the short-term outcome of debt being managed responsibly and within fiscal constraints. This indicator measures net debt, which is Cook Islands Government gross debt less funds held in the Loan Repayment Fund. The hard limit of 65% of GDP (fiscal anchor) provides a buffer for the soft target of 55%, allowing space for exchange rate shocks or natural disasters.

This indicator is included in the NSDA under Goal 3: Economy, Employment, Trade and Enterprise. Results under this indicator will be published through OPM's NSDA reporting.

This indicator is also included in the EDS under Objective 4: Investing in our Islands, as prudent management of Government finances is key to maintaining a stable macroeconomic environment, including responding to economic downturns. Results under this indicator will be published through the annual EDS indicator report.

### Indicator 3.8 - Investment rule – On Track

This indicator sits under the Managing public debt workstream. It relates to the short-term outcome of debt being managed responsibly and within fiscal constraints. Under the new MTFs, the investment rule requires that any additional borrowing above 55% of GDP is for capital and/or targeted GDP stimulus measures only.

#### Results

Year	Net debt to GDP (%)	Investment rule binding?
2018/19 (baseline)	17.0%	No
2019/20	16.3%	No
2020/21	38.2%	No
<b>2021/22</b>	<b>45.3%</b>	<b>No</b>
<b>Target</b>	<b>Investment rule met (or else not binding)</b>	

#### Analysis

This indicator relates to the net debt position, as the investment rule is met when additional borrowing above 55 per cent of GDP is for capital investment and/or targeted GDP stimulus

measures only. As net debt was 45.3% in 2021/22, the investment rule was not binding. Therefore this indicator is assessed as 'on track'.

### Baseline data and methodology

This indicator is binary – it shows whether or not the government has met the investment rule. The baseline for this indicator is the 2021/22 actual debt figures, published in the 2022/23 HYEFU.

### Indicator 3.9 - Total Cook Islands Government capital spend – Of Concern

This indicator sits under the infrastructure investment workstream. It relates to the short-term outcome that projects with short-to-medium term benefits are funded. It measures total capital expenditure across the Cook Islands Government.

### Results

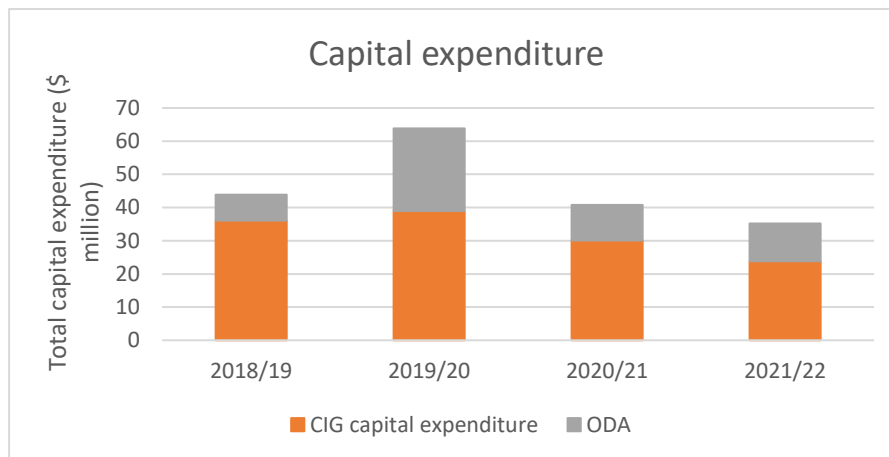
Year	CIG capital expenditure	Total capital expenditure, including ODA <sup>7</sup>
2018/19 (baseline)	\$36.102 million	\$43.874 million
2019/20	\$38.946 million	\$63.828 million
2020/21	\$30.036 million	\$40.745 million
<b>2021/22</b>	<b>\$23.820 million</b>	<b>\$35.153 million</b>
<b>Target</b>	<b>Increasing trend in annual capital expenditure</b>	

### Analysis

As shown in the chart below, the 2019/20 Budget year reflects the highest performance in capital expenditure that Government has achieved both on an expenditure and ratio to budget basis. However, the 2021/22 Budget reflected a further decrease in capital appropriation and expenditure when compared to the prior two years as funding was directed towards direct economic support to the private sector and community, and project design and management capacity limits impacted delivery. Total Cook Islands Government (CIG) capital expenditure decreased by \$8.7 million between 2018/19 and 2021/22.

<sup>7</sup> Overseas Development Assistance

The 2022/23 Budget notes that over the medium-term Government will work with funding partners to identify strategies that can increase infrastructure investment, with the aim to maintain approximately \$40.0 million in investments each year, noting that current implementation capacity is below this level.



Therefore, given the decreasing trend in expenditure this indicator is assessed as 'of concern'.

### Baseline data and methodology

The baseline for this indicator is capital expenditure in the 2018/19 fiscal year. The indicator includes capital expenditure funded through development partners, as this contributes towards the outcome of funding project with short-to-medium term benefits. Data is sourced from annual budget reporting.

### Indicator 3.10 - Real growth in construction – Off Track

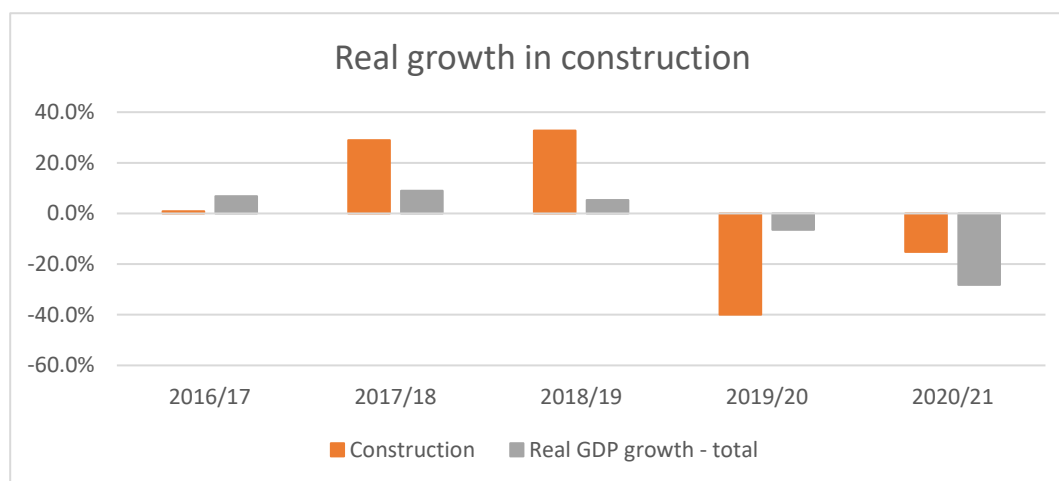
This indicator sits under the infrastructure investment workstream. It relates to the short-term ERR outcome of increased real infrastructure spend in the Cook Islands, measured by real economic growth in the construction sector.

## Results

Year	Real growth in construction	Total growth (constant 2016 prices)
2016/17	0.9%	6.8%
2017/18	28.9%	8.9%
2018/19 (baseline)	32.7%	5.3%
2019/20	-40.0%	-6.5%
2020/21	-15.2%	-28.2%
<b>2021/22</b>	<b>n/a</b>	<b>n/a</b>
<b>Target</b>	<b>Trend in real growth attributed to this industry</b>	

## Analysis

As shown in the chart below, the construction sector saw real economic growth in the three years prior to the COVID-19 pandemic. However, this growth has more than reversed between 2019/20 and 2021/22. Therefore, this indicator is assessed as 'off track'.



## Baseline data and methodology

The baseline for this indicator is the trend in real economic growth in the construction sector over the 2016/17 – 2018/19 fiscal years, sourced from successive annual Budgets. The percentage change (year on year) is used to measure growth in this industry. This is measured by real GDP at constant 2016 prices. Data for 2021/22 is not yet available.

### **Indicator 3.11 - Baseline costs of compliance understood (TBC)**

This indicator sits under the Barriers to business performance workstream. It relates to the short-term ERR outcome of MFEM better understanding the Cook Islands' business environment. The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

### **Indicator 3.12 - Chamber of commerce survey of members (TBC)**

This indicator sits under the Barriers to business performance workstream. It relates to the short-term ERR outcome of better regulatory management. The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

### **Indicator 3.13 - Chamber of commerce survey of members (TBC)**

This indicator sits under the Barriers to business performance workstream. It relates to the short-term ERR outcome of an environment that is conducive to business. It will provide a qualitative measure of the cost of doing business in the Cook Islands. The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

### **Indicator 3.14 - Tertiary and vocational level completion data (NSDA; EDS)**

This indicator sits under the Productivity growth workstream. It relates to the short-term ERR outcome of a more productive workforce. This indicator measures the percentage of the Cook Islands resident population with vocational or tertiary qualifications.<sup>8</sup> Post-secondary education (vocational or tertiary) will increase both the Cook Islands' skills base and individuals' earning potential.

This indicator is included in the NSDA under Goal 8: Education and Innovation. Results under this indicator will be published through OPM's NSDA reporting, based on Census data.

This indicator is also included in the EDS under Objective 3: Developing our People and Culture.

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<sup>8</sup> Resident as defined by the Cook Islands Statistics Office in the Census

## Indicator 3.15 - Total working age and labour force population – Of Concern

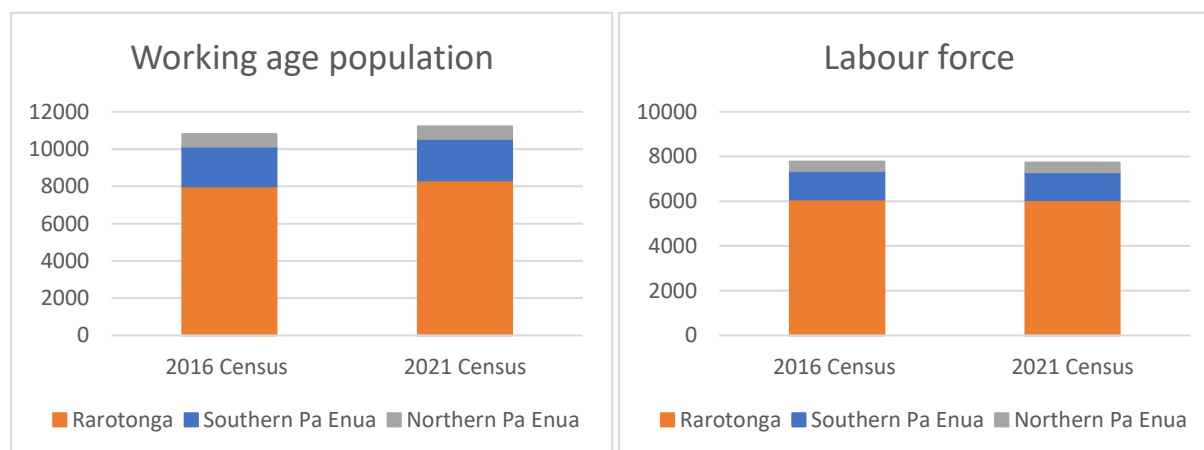
This indicator sits under the Labour force and population workstream. It relates to the short-term ERR outcome of the working age population and labour force population maintained in Rarotonga and the Pa Enea.

### Results

Year	Working age population			Labour Force		
	Rarotonga	Southern Pa Enea	Northern Pa Enea	Rarotonga	Southern Pa Enea	Northern Pa Enea
2016 (baseline)	7,997	2,139	669	6,078	1,277	420
<b>2021</b>	<b>8,328</b>	<b>2,214</b>	<b>677</b>	<b>6,060</b>	<b>1,245</b>	<b>428</b>
% change	4.0%	3.4%	1.2%	-0.3%	-2.6%	1.8%
<b>Target</b>	<b>Working age and labour force population trends restored back toward the 2016 resident population figures</b>					

### Analysis

As shown in the charts below, total working age population slightly increased by 3.7% 2016 to 2021. The increase was slightly higher in Rarotonga than in the Pa Enea. On the other hand, total labour force decreased by 0.5% between 2016 and 2021. The decrease was most significant in the Southern Pa Enea.



Therefore, given the decrease in labour force, this indicator is assessed as 'of concern'.

### Baseline data and methodology

The baseline for this indicator is population statistics from the 2016 Census. Working age population is calculated as the resident population aged 15 years and older. The labour force is defined as those who are self-employed, paid employees, unpaid workers, volunteers and unemployed. Data for this measure will be approximate for the five years in between each Census.

### Indicator 3.16 - Total arrivals and departures – Not Assessed

This indicator sits under the Labour force and population workstream. It relates to the short-term ERR outcome of the working age population and labour force population maintained in Rarotonga and the Pa Enea. This indicator measures the total number of resident arrivals and departures from the Cook Islands, by reason for departure.

#### Results

Year	Permanent departures - residents
2022 (baseline)	375
Target	No increase in departures of duration of more than six months by Cook Islands residents

#### Analysis

From April to November 2022, 375 residents left the Cook Islands permanently. As this is the first year of data collection, this indicator is 'not assessed' for 2021/22.

### Baseline data and methodology

The baseline for this indicator is the first year of departure statistics (April to November 2022), collected from the departure cards reinstated in March 2022. For the purpose of this indicator, permanent departure is defined as residents who checked "Permanent, Permanent Employment, or Study" as reason for departure.

### Indicator 3.17 – Roll out of implementation plan – Not Assessed

This indicator sits under the public sector efficiency workstream. It relates to the short-term ERR outcome that the Public Sector can identify responses to gaps in the areas of functions, systems, structures and people. This is measured by the roll out of the implementation plan following the Public Sector Functional Review, through the ERR Public Sector Efficiency workstream.



## Results and Analysis

As the functional review did not begin in 2021/22, this indicator is classified as 'Not Assessed'.

### Baseline data and methodology

The Public Sector Functional Review Terms of Reference notes the Report will “prepare proposals for implementation plans for gradual or incremental implementation of recommendations identified by the Public Sector Functional Review. Recommendations should prioritise the available funding in terms of making changes to the Public Sectors’ functions, structures and systems.” Once the implementation plan has been developed, this indicator will measure the extent to which the plan has been implemented. The expected target for this indicator is that the plan is implemented within five years of being approved by Cabinet, however this may change depending on the final shape of the plan.

The baseline for this indicator is implementation plan not developed.

## Indicator 3.18 - Foreign Direct Investment to GDP (NSDA; TBC) – Not Assessed

This indicator sits under the foreign investment workstream. It relates to the short-term ERR outcome of an increased level of foreign investment, in identified areas in a manner that benefits the Cook Islands. This will be measured by foreign direct investment as a percentage of GDP.

This indicator is included in the NSDA under Goal 14: A Sustainable Population. Results under this indicator will be published through OPM’s NSDA reporting. Under the NSDA the target for this indicator is to have the balance shift away from foreign ownership towards local ownership as far as practical. This is likely to be different than the target for the ERR, which seeks to determine the most appropriate mix of foreign investment in the Cook Islands economy.

## Results and Analysis

As this indicator is not yet developed, it is classified as 'Not Assessed'.

### Baseline data and methodology

MFEM EPD will determine the baseline data and most appropriate indicator for this outcome in consultation with the BTIB.

## Progress towards ERR outputs

The table below presents progress towards the ERR outputs as at June 2022. Outputs are rated as either 'on track/complete' (green), 'of concern' (orange), 'off track' (red), or 'not assessed' (grey). Output targets have been updated to align with the updated implementation timing following the EDS/ERR review conducted in the second half of 2022.

Workstream	Output	Rating	Indicator	Target	Comments
Cost of borrowing	Report on the cost of borrowing	Green	Report delivered	Report delivered by March 2022	
	Updated Cook Islands banking sector policy	Orange	Updated banking sector policy developed	Policy developed by June 2022	Slight external delay; target updated through EDS/ERR review
Managing public debt	Updated Medium Term Fiscal Strategy; Quarantine-Free travel measures	Green	MTFS and QFT measures implemented	Measures implemented by January 2022	
	Medium Term Debt Management Strategy	Green	Strategy published and reported against	Strategy published May 2022; Annual Budget reporting	
Infrastructure Investment	Build reliable and appropriate infrastructure	Grey	Percentage of national infrastructure that are fit for purpose	75%	Data not yet available
	Infrastructure spending providing fiscal stimulus and local employment	Grey	Direct employment in the Cook Islands associated with infrastructure spend	To be determined	Data not yet available

Workstream	Output	Rating	Indicator	Target	Comments
	Infrastructure projects follow appropriate planning and procurement processes		Number of complaints to the ombudsman regarding infrastructure procurement	To be determined	Data not yet available
Barriers to business	Research on business costs		Business cost report developed	Estimate research commissioned by June 2024; research concluded and report prepared by June 2025	Report not yet developed
	Legislation or policy proposals for improved business or consumer laws		Small claims processes developed evidence that the mediation centre is being used by businesses to resolve both labour and non-labour disputes	Small claims processes drafted by June 2026	Project not yet started
	Utilities regulation		Utilities Bill passed	Bill introduced by June 2023	Slight external delays; target updated through EDS/ERR review
	Transport licensing and registration process improvements		Transport licensing and registration updated	Transport policy drafted by June 2023	
	Building approval process improvements		Environment approvals updated	Environment approvals processes drafted and available online by June 2025	Project not yet started

Workstream	Output	Rating	Indicator	Target	Comments
	E-commerce programme		E-commerce programme implemented	E-commerce policy drafted by June 2025	
Productivity growth	Fees Free payments		Total amount paid in training fees	Not applicable	Fee invoices paid
	Fees Free payments		Total enrolment and completion rate for fees free courses at CITTI & USP (Total individuals enrolled vs. completed, by gender)	At least 75% completion rate	CITTI completion rates: 66% Semester 1, 2022 (though many non-completions were continuing); 83% Semester 2, 2022.
Public Sector Efficiency	Public Sector functional report		Report completed and delivered to OPSC	June 2023	
	Phased approach human resources plan		Plan completed	TBC	
Labour force and population	Departure cards implemented		Cards printed and software implemented	March 2022	
	Population and labour force statistics set		Statistics set reviewed and revised	June 2023	Off track; priority for 2022/23
	National population strategy		Strategy published by OPM	June 2023	
	National labour strategy		Strategy developed by INTAFF	June 2023, published by June 2024	

Workstream	Output	Rating	Indicator	Target	Comments
	Worker retention and replacement schemes		Schemes completed	Jun-23	
Foreign investment	Diagnostic review of foreign investment framework		Diagnostic review report delivered to MFEM, BTIB	May-22	
	Proposed reforms for the Cook Islands foreign investment environment		Proposed policy changes developed	Policy development and implementation of review recommendations by June 2025.	Slight external delay; target updated through EDS/ERR review
	National Investment Policy		Proposed policy changes developed	Policy development and implementation of review recommendations by June 2025	Slight external delay; target updated through EDS/ERR review
	Identified areas to attract investment in		Areas identified	To be determined	