



Government of the Cook Islands



Cook Islands Economic Development Strategy 2030

Working together to build quality growth

Consultation Draft

November 2020

Contents

Message from the Prime Minister	1
Call for submissions	2
A shared vision for 2030.....	3
The Cook Islands and its economy	6
Developing the Strategy	16
Strategy approach – Building quality growth.....	20
Strategy overview.....	22
Objective 1: Improving equity & access for all	25
Objective 2: Transforming our economy.....	42
Objective 3: Developing our people & culture.....	56
Objective 4: Investing in our Islands.....	71
Objective 5: Greening our economy	90
Making sure it happens	104
Abbreviations and glossary	105
Endnotes and references	106



Message from the Prime Minister

Kia Orana,

Our economy has been on quite a journey since 2011, which was the last time the Government called Cook Islanders together to discuss an economic development strategy.

Back in 2011, our Gross Domestic product (GDP) was \$375 million dollars—and in 2018/19, before the impact of the COVID-19 outbreak, it was estimated at \$531 million, an increase of more than 40 per cent.

This strong growth, which culminated in the Cook Islands graduating to high income status on 1 January 2020 and a significant improvement in the economic indicators of the National Sustainable Development Plan, has not been without its costs. Despite record capital spending we still have an infrastructure deficit, and we need do more on our sanitation and waste management, for example.

Before COVID-19, we were also facing labour constraints and long-term housing shortages, which we expect to face again once the borders reopen and the economy returns to full strength. We have also experienced disparities between those more favourably equipped to reap benefits from our growth than others.

The question now is whether continuing to do things as we have always done is sustainable over the long-term, or whether there are smarter and fairer ways to grow our economy.

The Government consulted widely on this question in late 2019, with public meetings held across the Cook Islands. This included a national Economic Development Conference in November 2019, attended by a cross-section of leading Cook Islands business, community and government representatives.



The Economic Development Strategy, informed by the extensive feedback from the public consultation, addresses cross-cutting economic issues — challenges and opportunities — to achieve a vision of the economy in 10 years' time that will carry us into the future. The Strategy will set the economic and fiscal foundation of the National Sustainable Development Agenda 2020+ and help us address and limit any long-term 'economic scarring' from the COVID-19 pandemic.

The focus of the Strategy is on evolving from 'quantity' to 'quality' growth. Looking forward, we want to ensure that our future economic growth is more equal, taking better care of the human and natural capital — without which the Cook Islands economy cannot be sustainable.

Successful delivery of the Strategy requires continued stable government, and the business sector and the community working with us.

I invite all stakeholders to engage in the public consultation on the draft Strategy. I look forward to hearing your views on smarter ways to put the Cook Islands economy on a more sustainable path.

Kia Manuia,

*Hon. Mark Brown
Prime Minister and Minister of Finance*

Call for submissions

Key dates

The Ministry of Finance and Economic Management (MFEM) is seeking written submissions on the draft Economic Development Strategy by **Friday, 11 December 2020**.

Submissions can be lodged

By email: mfem.economics@cookislands.gov.ck

By hand: Natalie Cooke, Director, Economic Planning Division
Level 1, MFEM Building
Avarua, Rarotonga
COOK ISLANDS

By post: Natalie Cooke, Director, Economic Planning Division
PO Box 120
Rarotonga
COOK ISLANDS

Contacts

Telephone: +682 29511 ext. 8314

Website: <http://www.mfem.gov.ck/economic-planning/economic-development-strategy>



A shared vision for 2030

Working together to build a dynamic, prosperous and inclusive economic future for Cook Islanders, that is in harmony with our culture and environment

Vision statement

Participants at the Pa Enua consultations and Economic Development Conference were invited to share their vision of where they would like to see the Cook Islands economy in 10 years' time.

The responses were many and varied, reflecting the different values, interests and perspectives of a broad cross-section of Cook Islands business, industry and community representatives.

These myriad views have informed a concise draft vision statement that attempts to capture the essence of the key


ideas running through the participants' contributions.

The Economic Development Strategy and its five key objectives:

- improving equity & access for all;
- transforming our economy;
- developing our people & culture;
- investing in our Islands; and
- greening our economy,

provide a structure, which will help guide our decision-making now and into the future to ensure that our shared vision becomes a reality.





'A progressive and healthy nation, confident in their identity and content on keeping it a paradise.'

Participant, Economic Development Conference

'Economic development that supports our environment, society and culture for the benefit of Cook Islanders.'

Participant, Economic Development Conference

'Collaboration between public and private sectors is critical for achieving sustainable development.'

Participant, Economic Development Conference

'A prosperous Cook Islands for us and our future generations.'

Participant, Economic Development Conference

'I don't want Mauke to change – I like it the way it is.'

Participant, Mauke consultation

'I want to see happier people – community involvement – quality of life.'

Participant, Mangaia consultation

'A Cook Islands which values its cultural heritage, health and safety of its people.'

Participant, Economic Development Conference

'Economic growth balanced with improved human wellbeing and a protected environment.'

Participant, Economic Development Conference

'In ten years, our people are leaders in environmental sustainability and green growth is taking the Cook Islands forward in its development.'

Participant, Economic Development Conference

Working together

A key ingredient to achieving the Cook Islands' economic development objectives over the next decade will be Government, business and industry, and the community working together.

Through the Pa Enea consultation, Rarotonga public forums, individual stakeholder meetings and the Economic Development Conference, business, community and Government representatives have all contributed to the development of the Strategy.

The role of Government

The Strategy outlines a role for Government in creating a favourable and competitive business environment and investing in strategic infrastructure and programs that enable the private sector to make informed investment and business decisions.

The Strategy provides an overarching structure that will complement current business, industry and community efforts and existing Government economic policies and strategies. It will also help shape the development of future strategies and programs across the public and private sectors.

The role of the private sector

Business and industry are instrumental in driving economic development in the Cook Islands. They will play a central role in meeting the Strategy's objectives by:

- Developing commercially viable projects that enable the training and employment of Cook

Islanders, particularly in the Pa Enea, and helping to build a skilled workforce.

- Participating in Government initiatives such as business support and training programs to build the capacity and capability of businesses.
- Formulating and implementing industry sector and business strategies that attract investment and improve productivity.
- Promoting best practice models for quality standards and systems.
- Participating in reviewing and guiding future iterations of the Strategy.

'Don't rely on Government all the time.'

Participant, Mangaia consultation



The Cook Islands and its economy

Location

The Cook Islands is a Polynesian island nation located midway between French Polynesia and Fiji in the South Pacific. It comprises 15 islands with a total land area of about 240 km² scattered over 2.2 million km² of the Pacific Ocean.

The Cook Islands is broadly divided into the main island of Rarotonga, which is the administrative centre and the Southern and Northern Groups (also known as the Pa Enea or Outer Islands). The two island groups are markedly different in their social, cultural and economic activities.¹ The Northern Pa Enea remain relatively isolated from the Southern Pa Enea with infrequent and expensive transportation links.

The Cook Islands is a self-governing country in free association with New



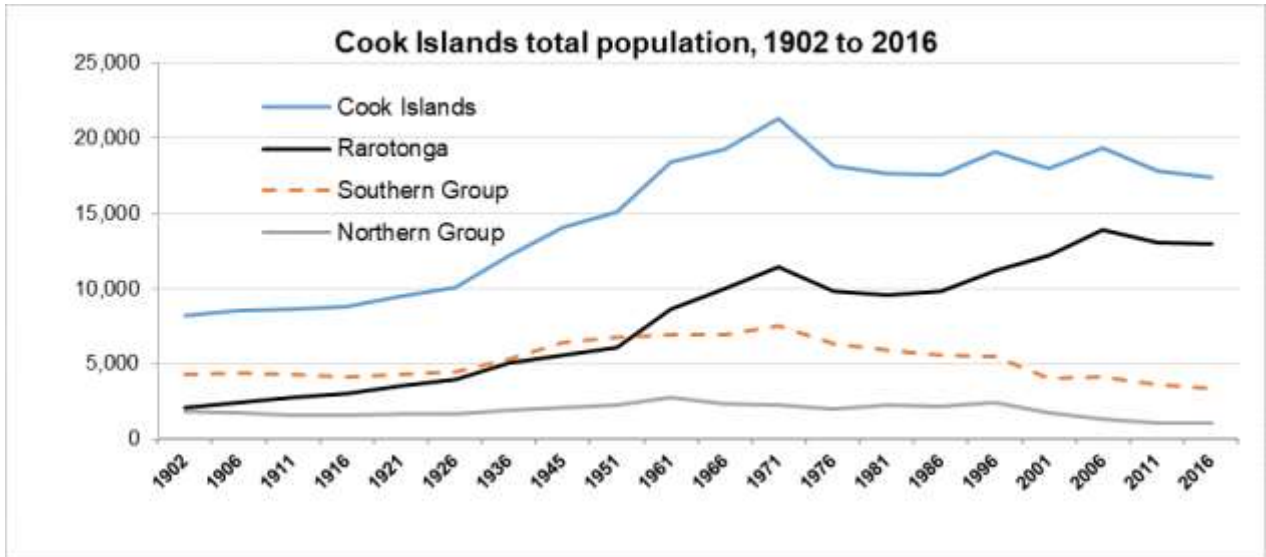
Zealand. Cook Islanders are New Zealand citizens and have open access to work and residency in New Zealand and, under various reciprocal entry agreements, to Australia.

Population and labour force

Total population

The 2016 Population Census assessed the Cook Islands total population (residents and visitors) at 17,424 and its resident population at 14,802. Cook





Islands Maori and part Cook Islands Maori residents comprised 86 per cent of the total resident population.

Nearly 75 per cent (13,007) of the total population lives on Rarotonga, 19 per cent (3,326) in the Southern Pa Enua and 6 per cent (1,101) in the Northern Pa Enua.

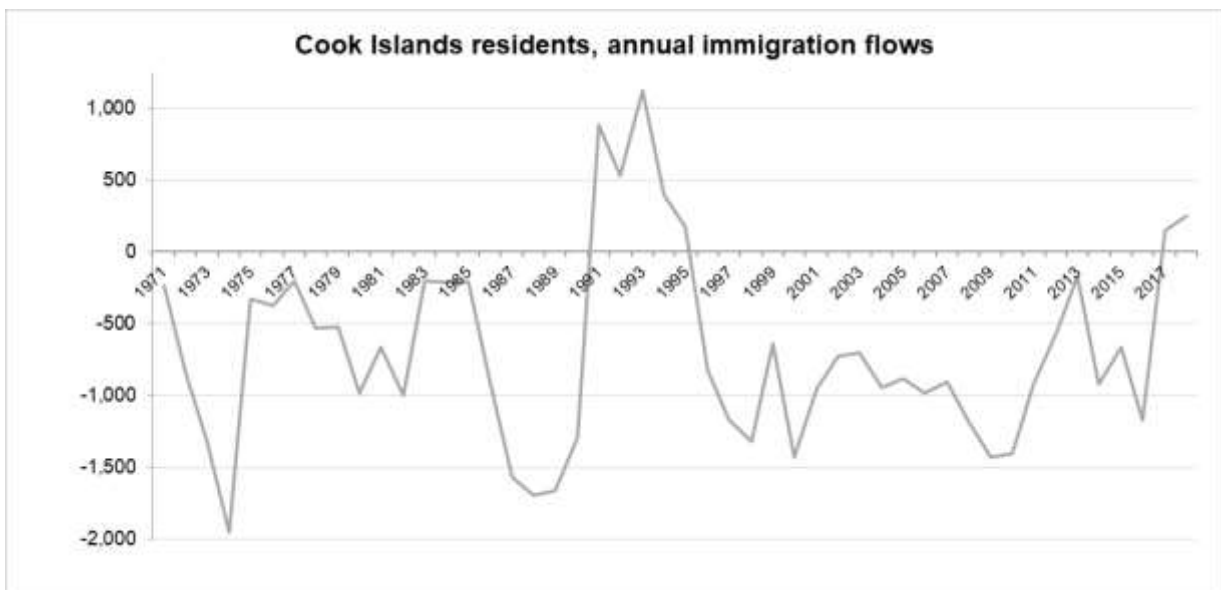
The total population has been in decline since the early 1970s, with a dramatic decline between 1971 and 1976 following the opening of Rarotonga’s International Airport in 1974, largely due to emigration to New Zealand. The population stabilised between 1986 and 1996, before another decline as a result of the substantial reduction in the public service in 1996/97.

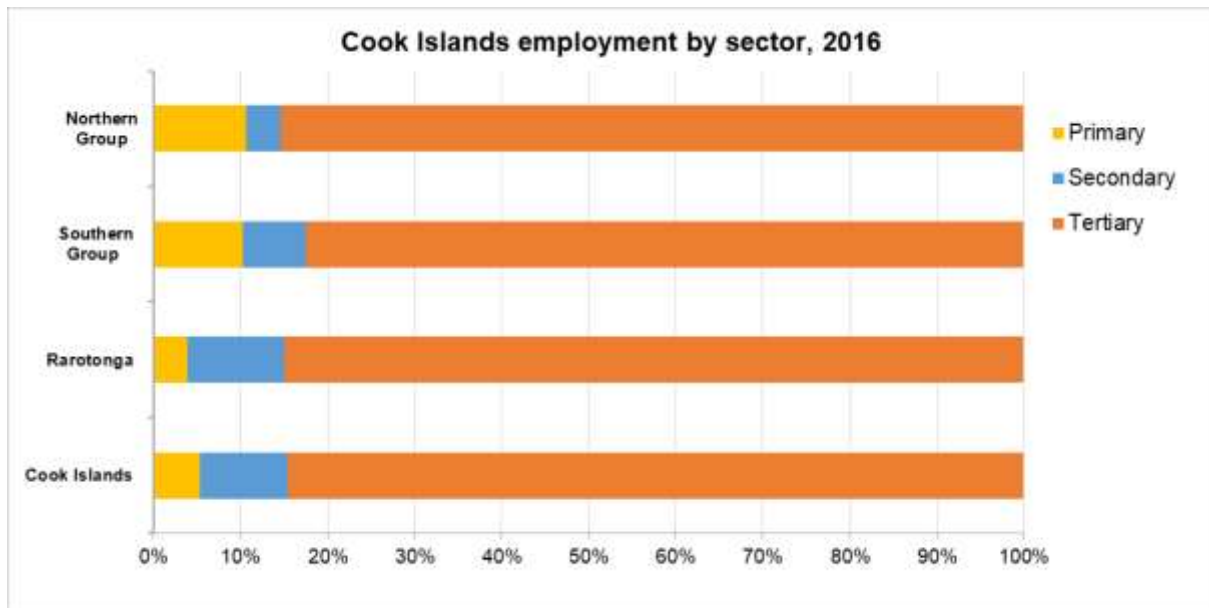
The United Nations projects total population at 17,564 in 2020, 1 per cent

higher than in 2016, falling marginally to 17,524 by 2030.²

Population structure

The Cook Islands 2016 population structure is characterised by two distinct features. The first is that the 0-4 age group is smaller than the 5-9 group, which suggests a decline in fertility and/or greater emigration from the Cook Islands. The second is a significant decline in the 15-19 age group, which were the 10-14 cohort at the last Census in 2011. The likely explanation for this is that young Cook Islanders have completed secondary education and travelled overseas for further education or employment opportunities.





Labour force

In January 2020, there were 8,056 people in the Cook Islands labour force. About 69 per cent are engaged in the private sector (employees and self-employed or sole proprietors), with 26 per cent in the public sector. The proportion of private to public sector employment varies from 75 per cent on Rarotonga to 20 per cent in the Northern Group.

Employment by industry sector reflects the dominance of the tourism industry with the vast majority of the labour force engaged in the tertiary sector. The primary sector, which comprises agriculture, forestry and fishing, is more important in the Pa Enua than it is in Rarotonga.

In the 2019 Labour Force Survey,³ the Cook Islands labour force participation rate was 70.4 per cent, similar to the March 2020 New Zealand rate of 70.5 per cent. Labour force participation was higher for males at 77.8 per cent than for females at 63.4 per cent.

The Cook Islands unemployment rate in early 2020 was estimated at 1.3 per cent.⁴ This ranged from a high of 9.5 per cent in the Pa Enua for people with primary education or less, to 1.3 per cent for those with secondary education. The female unemployment rate at 0.9 per cent is

below the 1.6 per cent rate for males as well, though for females with primary or less education this rises to 7.7 per cent.

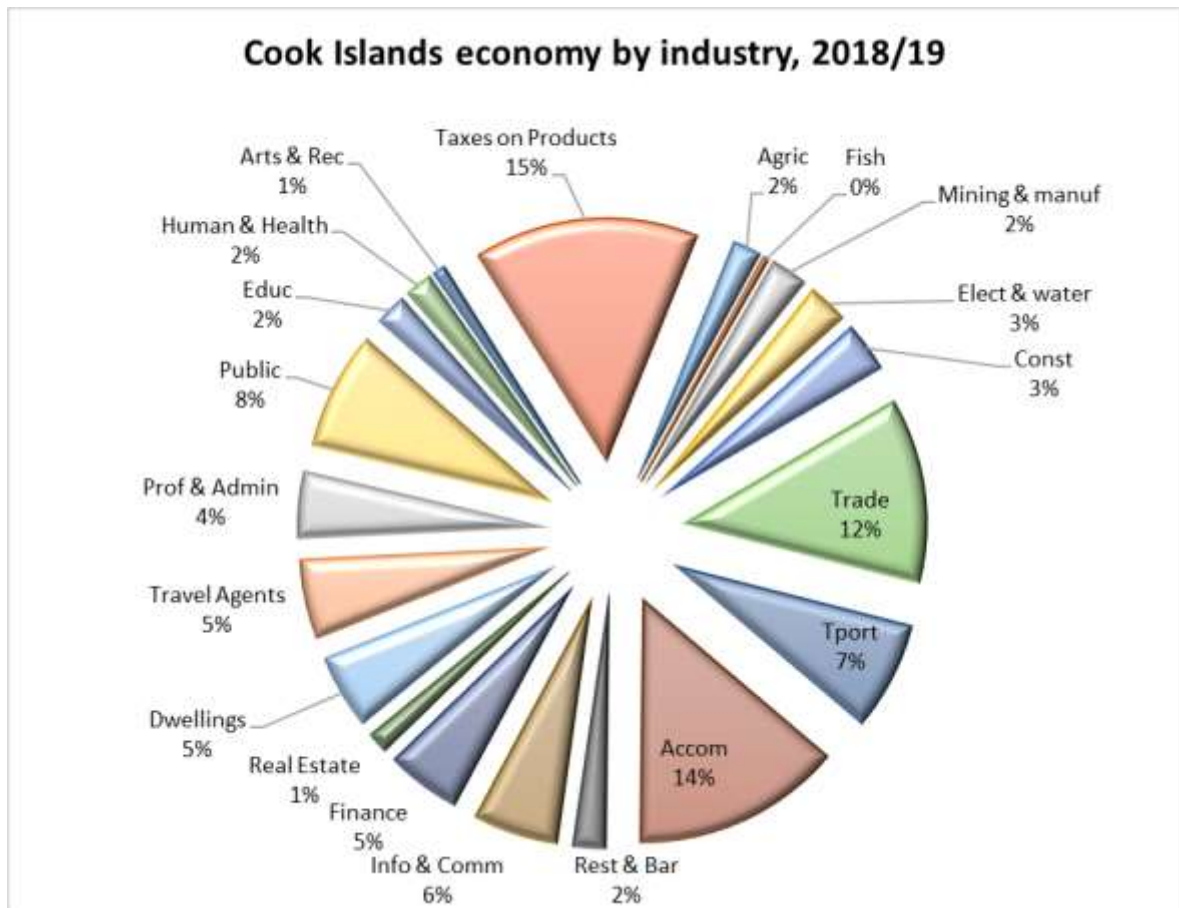
Structure of the economy

The Cook Islands is a small, open economy with economic growth heavily reliant on the export of services to a number of key partner countries, New Zealand, Australia and the United States of America in particular.

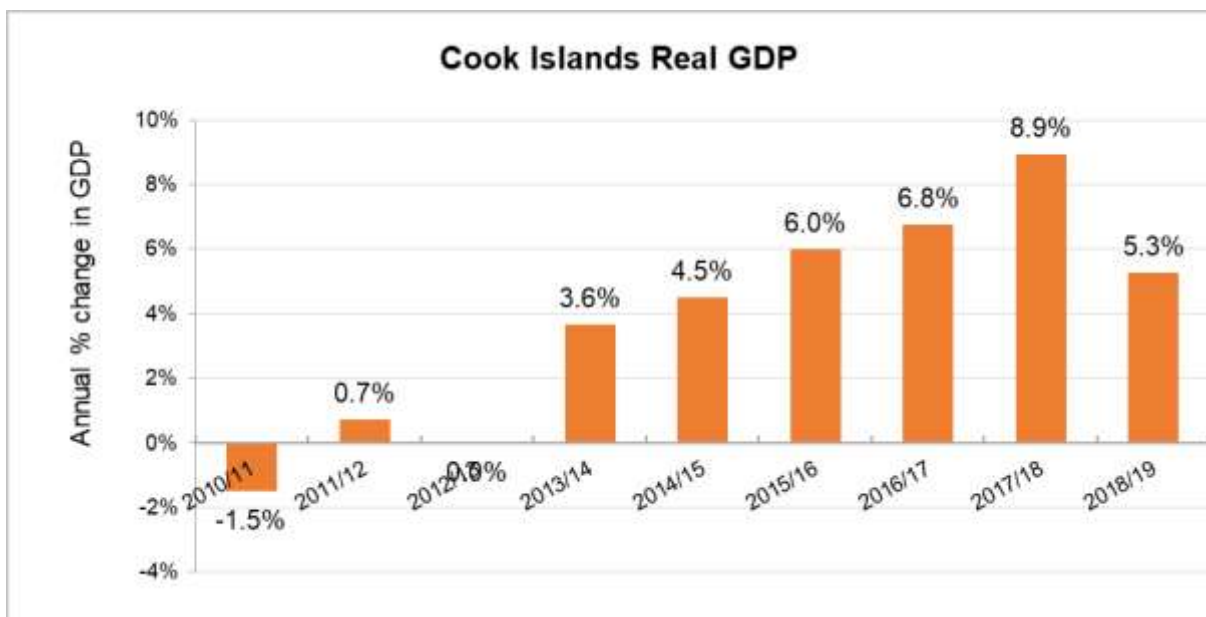
The tourism industry dominates, with the tertiary or services sector accounting for three quarters of the total economy in 2018/19. The two largest tertiary industries, trade and accommodation services, accounted for more than a quarter of total economic output.

Four industries play a key role in the economy:

- Tourism – a laidback South Pacific destination with pristine beaches and lagoons and a vibrant Polynesian culture, tourism is the major economic driver accounting for about two-thirds of the economic activity in the Cook Islands.
- Construction – a key enabling industry for the entire economy focussing on essential infrastructure through to housing and resort construction.



- Agriculture, forestry and fishing – primary industry plays a big role in the Pa Enua.
 - Government administration – the public sector employs a quarter of the Cook Islands labour force and Government operating and personnel expenditure is about 30 per cent of GDP.
 - International financial services – though relatively small in size, this industry contributes to diversification of the economy and employs highly skilled and well paid staff.
- Impact of COVID-19**
- The ongoing COVID-19 pandemic and the associated restrictions have had an



unprecedented impact on the economy of the Cook Islands. With the borders closed from March 2020, the tourism industry has seen the flow of visitors shut off, leading to challenges.

To mitigate these challenges and protect the livelihoods of people in the Cook Islands, the Government has implemented its COVID-19 Economic Response Plan to provide a lifeline for individuals and businesses. The support will continue as the impacts of the pandemic slowly unwind and visitors are welcomed back to our shores when it is safe to do so.

Key economic indicators

Gross Domestic Product

Before the pandemic, the Cook Islands Gross Domestic Product (GDP) grew in real terms by 5.3 per cent in 2018/19, increasing from \$505 million in 2017/18 to \$531 million (2016 prices).

The strong run of annual economic growth since 2013/14 was halted in 2019/20 as a direct result of the COVID-19 pandemic border closures in March 2020. The economy is expected to decline further in 2020/21, before recovering the following year.

Inflation

The Consumer Price Index for 2019/20 averaged 0.7 per cent over the year, compared to 0 per cent the year before. This continues a trend of low inflation since 2011/12.

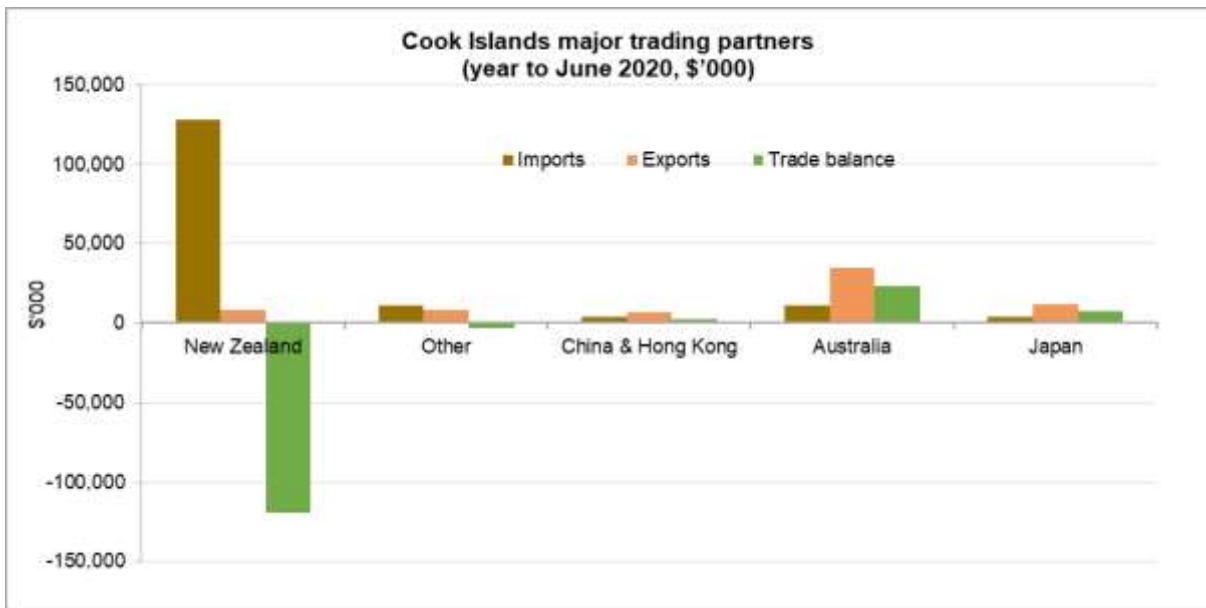
Merchandise trade

New Zealand remains the Cook Islands major trading partner by far.

In 2019/20, total exports grew by over 100 per cent to \$34.5 million (mostly driven by fish exports), while imports were flat, causing the merchandise trade balance to improve.

However, this masks the underlying movements, as imports declined once the border was closed in March 2020, and the 12 months to February saw growth of 8.1 per cent, or an additional \$15.7 million in imports. Conversely, once exports of fish (the majority of which are from foreign vessels which never offload in the Cook Islands) and the one-off e-waste exports in 2019 (July and August, of \$4.4 million), are removed, exports declined from \$2.0 million to \$1.6 million.





Building approvals

The total value of Cook Islands building approvals in the year to December 2019 rose by 28 per cent to \$25.6 million from \$20.0 million the previous year. The bulk of the growth was accounted for by an 842 per cent rise in the value of residential approvals, with smaller growth in tourist accommodation and general commercial approvals and a partially offsetting decline in community approvals.

Data from the first half of 2020 shows that while building approvals have not reached quite the same high level as the same

time in 2019, they remain strong with \$8.7 million in approvals over the six months.

Tourism

Before the border closed in March 2020, visitor arrivals to the Cook Islands were continuing the strong growth of recent years. In the year to February 2020, visitor arrivals in the Cook Islands reached 172,728, which was 2.5 per cent higher than the year to February 2019.

New Zealand visitor numbers were responsible for the largest portion of the growth over this period, with 2,878 additional visitors.



Tourism markets	2019/20	2020/21f	2021/22f	2022/23f	2023/24f
New Zealand	82,358	24,272	108,504	114,816	115,315
Australia	20,736	1,485	22,267	30,561	33,385
USA & Canada	8,426	-	1,954	8,789	10,392
Europe	9,295	-	2,130	9,737	11,527
Other	2,972	-	665	3,122	4,319
Total	123,787	25,757	135,520	167,026	174,938

Australia recorded a visitor growth rate of 5.2 per cent and North America showed a small increase, while European visitors showed a small decrease.

As the impacts of border closures are felt, total arrivals for 2019/20 were 123,884, a 25.7 per cent fall from 2018/19 a result of effectively zero visitors in the final quarter of the year. The forecasts, shown in the table above, are sensitive to dates of reopening to different markets – with New Zealand forecast to be the first to open (in early 2021), before Australia and lastly, other markets.

Domestic banking sector

Total domestic lending declined across the year to December 2019 (the latest published data), falling by 5.7 per cent. Personal services loans, which include housing loans, dominate the lending portfolio, accounting for 45 per cent of

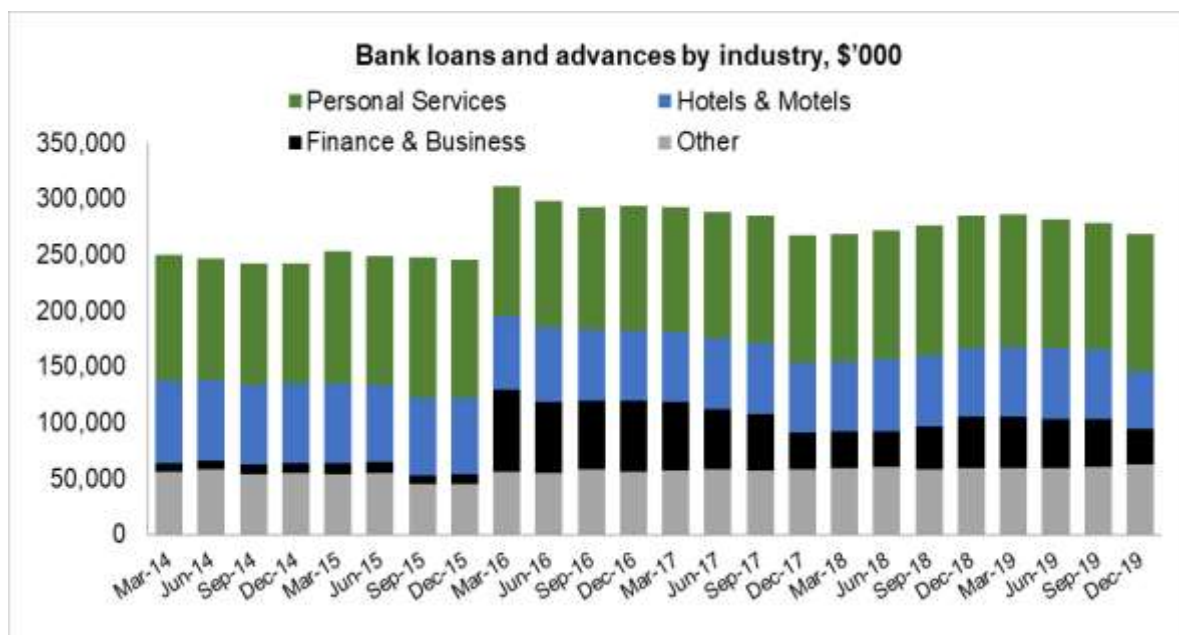
total lending. Hotels & motels follow on 20 per cent, with Finance & business loans on 12 per cent.

Published interest rates as at December 2019 range from:

- 2.4 to 3.25 per cent for fixed term deposits;
- 8.25 to 9.5 per cent for owner-occupier home loans;
- 7.7 to 10.5 per cent base rate for business loans; and
- 10.25 to 15.8 per cent for secured personal loans.

In the period since the pandemic began there have been reports of increased borrowing as businesses address cashflow issues and some resorts take advantage of the lack of visitors to undertake improvement and investment.

The Government has included measures in the Economic Response Plan which



What is the output gap?

The output gap is a measure of the overall level of slack in the economy.

A positive output gap means the economy is operating above full capacity. If maintained for an extended period of time, this leads to the build-up of inflationary pressure.

A negative output gap means that there is spare capacity, or slack, in the economy due to weak demand for goods and services. An extended period under this situation can lead to deflation and economic recession.

relieve pressure on borrowers through relief for interest due and access to continuity financing to manage cash flow issues through this tough time. These measures are expected to alleviate financial stress and similar issues during this downturn.

Economic limits

The Cook Islands economy was operating above its potential capacity prior to the pandemic, however the downturn has meant these constraints have been relaxed in the immediate term. It is expected that once growth returns to its

trend level in the coming years, the Cook Islands economy will again experience capacity constraints. This implies that additional growth has the potential of adding to cost of living pressures, labour shortages and housing shortfalls.

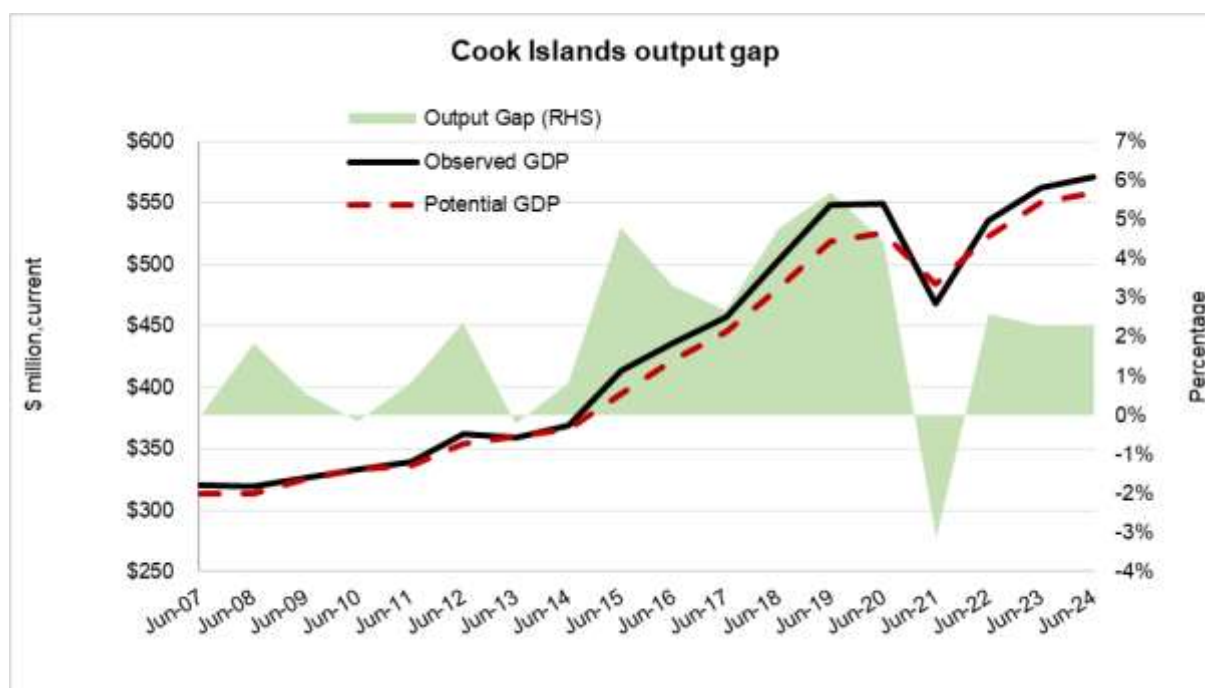
Forecasts of the output gap indicate that the positive gap will return quickly after the pandemic, and persist over the forward estimates.

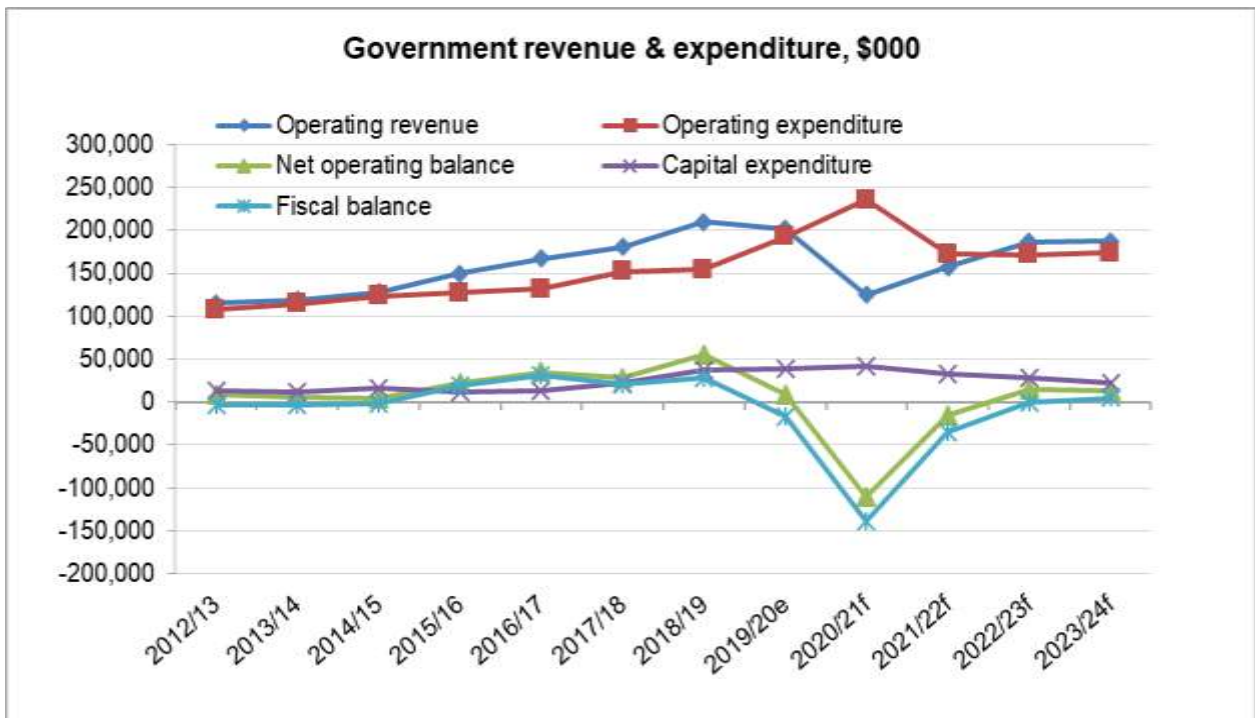
Fiscal limits

Sound and responsible management of Government finances is an essential element in creating a stable macroeconomic environment that supports growth. This requires careful balancing of revenues with expenditure and ensuring sustainable debt levels. Responsible

What is a fiscal balance?

The Government's fiscal balance is one way of measuring its financial position. It is calculated as revenue minus operating expenditure (the net operating balance) minus capital expenditure plus depreciation.





financial management provides the capacity for government to act in times of emergency such as that currently experienced with COVID.

Prior to the pandemic, Government finances were in a robust position thanks to strong revenue growth and prudent expenditure management over the last few years.

Revenues had risen faster than operating expenditure, more than enough to offset an increase in capital expenditure. This had a positive impact on the Government's fiscal balance, which was in surplus each year between 2015/16 and 2018/19.

It is due to this prudent management that the Government has been able to fund the Economic Response Plan via a mix of savings and debt drawn from our development partners, without putting the long-term economic future of the Cook Islands at risk.

The Government's Medium-term Fiscal Strategy (MTFS)⁵ is designed to deliver

sustainable budgets into the future, and accounts for the economic cycle. This ensures that Government expenditure does not constrain private sector growth. The Government is adhering to its MTFS fiscal rules, which allow for significant Government action when the economy is

expected to contract by more than 2 per cent – such is the case in 2020.

A key issue moving forward is that the size of the infrastructure gap

means that the Government cannot itself fund all of the required infrastructure investment without compromising future fiscal sustainability. As such, critical hard decisions will be required as to what infrastructure is prioritised.

Land limits

Most businesses require a physical location from which to operate, and land for buildings and economic activities. Land plays two key roles. First, as an input into

'Land access remains a key issue when we discuss economic development.'

Participant, Economic Development Conference

economic activity, and second as security to access finance.

Sustained economic growth requires stable, clearly defined, and well-protected property rights regarding land.

The Cook Islands has a total land area of approximately 240 km², making land a scarce resource. This is especially the case in Rarotonga and Aitutaki following very strong economic expansion over the last few years.

'Rarotonga is getting less land so it's becoming more important.'

Participant, Economic Development Conference



Developing the Strategy

The economic journey

The Cook Islands economy has been on quite a journey since 2011, which was the last time a national Economic Conference was held. Back in 2011, Gross Domestic product (GDP) was \$375 million dollars in real terms — and, before the economic impacts of the COVID-19 outbreak, in 2018/19, it was estimated at \$531 million, an increase of more than 40 per cent.

Looking back at the 2010/11 budget, the Cook Islands faced a challenging economic environment, and with that a tight fiscal space. After 3 years of recession following the global financial crisis, the Cook Islands was about to head back into positive growth territory. Total visitor numbers were 109,000, the Government capital budget was just \$4.4 million, and with few new initiatives, the focus was on minimising wastage and maximising efficiency gains.

Attention also turned to stimulating economic demand, for example through extending the airline underwrite to the Rarotonga – Sydney route. This has been a successful program in growing tourism numbers and expanding our tourism market further afield.

Fast forward 10 years, following a long run of strong economic growth, the Cook Islands graduated to high income status on 1 January 2020. This growth can be attributed to the targeted initiatives to develop the economy since 2011. These include changes to the taxation regime to ensure that our taxation structure is conducive to growth, and targeted expenditure on tourism to promote of the Cook Islands as a destination – tourism arrivals increased to almost 170,000 in 2018/19.

Not only has the economy performed strongly, but significant inroads have been made on the improvement to the quality of life for the Cook Islands people. This has



happened through reform of our welfare system, ensuring that help is provided to families and the elderly to name a few, and regular reviews of the minimum wage. At the same time improvements have been made in key services such as education.

Taking stock

While progress has been substantial, our graduation to high income country status makes this the perfect time to take stock of the economy. This involves assessing where we want to be 10 years from now and examining the key constraints and opportunities we face. Perhaps most importantly, it involves considering how best to improve the quality of our economic growth to ensure that our future growth is more equal, taking care of the human and natural capital — without which the Cook Islands economy cannot be sustainable.

The COVID-19 pandemic

The economic stress that we are currently facing as a result of COVID-19 and resulting border closures, does not detract from the need for this Strategy.

The COVID-19 downturn is having immediate and real economic and fiscal impacts. A number of constraints have also eased, such as the availability of long-term housing. However, these effects are expected to be temporary, and the Strategy is looking ahead 10 years.

The Government's Economic Response Plan aims to protect livelihoods and ensure businesses remain operating during the downturn, positioned to bounce back as the economic outlook improves.

What is the Strategy?

The Economic Development Strategy (Strategy) starts with a vision of where we want our economy to be in 10 years' time and is designed to address cross-cutting economic issues — both challenges and opportunities — to achieve that vision.

The Strategy has a broad focus that recognises that economic development will not be sustainable without addressing relevant social and environmental challenges.

The Strategy is consistent with the National Sustainable Development Plan 2016–20 (NSDP), the primary national planning tool in the Cook Islands. However, the NSDP is high level and does not provide a clear guideline on how to achieve the goals outlined, in particular the economic goals.

In response, industry and sector level strategies and plans have been drawn up, which are not an ideal substitute for an integrated strategy for the development of the Cook Islands economic sector as a whole: a strategy that draws the existing policy strands together, addresses cross-cutting economic issues, and provides a cohesive structure to help guide economic decision-making over the medium- and long-term.

The Strategy will also provide the economic and fiscal foundation for the National Sustainable Development Agenda 2020+.

How are we developing the Strategy?

In order to gain a broad perspective on the economic, social and environmental issues that are being faced, and views on the future of the Cook Islands economy, the Ministry of Finance and Economic

Management (MFEM) undertook a comprehensive consultation exercise.

Pa Enea consultation

As a major focus of the Strategy is on driving sustainable economic development in the Pa Enea, a delegation led by the Financial Secretary visited the Southern and Northern Pa Enea in September and October 2019. Meetings were held with each of the Pa Enea communities and Island Councils, with the exception of Palmerston, to hear firsthand from the community.

The communities were invited to share their views on the challenges and opportunities they face in their daily lives, as well as with running and operating a business on each of the islands. Communities were asked what they perceive as possible solutions to fixing challenges identified and potential business opportunities worth examining further. A summary of the Pa Enea feedback is available on the MFEM website: [Pa Enea Consultation: Summary](#).

Rarotonga consultation

Public consultations to inform the Strategy were also held on Rarotonga, along with consultations with a wide range of individual government agencies, non-government organisations and business and industry stakeholders.

A summary of the Rarotonga public feedback is available on the MFEM website: [Rarotonga Community Consultation: Summary](#).

Economic Development Conference

Following the consultation with the Pa Enea and Rarotonga communities and business, industry and community stakeholders, MFEM convened an Economic Development Conference at the National Auditorium on 15 November 2019.

The Conference gathered more than 160 delegates, 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 theme of the Conference was '*Working together to build quality growth*', with an emphasis on achieving sustainable development by shifting focus from short-term growth strategies to investment in people and the environment.

The Conference was informed by theme papers and a number of supporting information papers on a range of topics, as well as island profiles.

The papers and summary of the Conference outcomes are published on the MFEM website: [Economic Development Strategy](#).

Next steps

This consultation draft Strategy, informed by the Conference outcomes and other consultation held to date, has been released for further public consultation. Following this step, the Strategy is expected to be finalised in early 2021.



Strategy approach – Building quality growth

Introduction

Until the COVID-19 outbreak, the Cook Islands experienced a strong run of economic growth.

This rapid growth delivered tangible national income benefits, with the Cook Islands graduating to high-income country status from 1 January 2020. It also created a number of challenges, that if left unchecked, have the potential to threaten the long-term sustainability of the Cook Islands economy.

These challenges encompass labour and housing capacity constraints, inequitable sharing of the benefits of economic growth, and a range of environmental issues of increasing concern, including solid waste and sanitation management.

At the same time, as a small and remote island state, the Cook Islands faces the growing challenge of dealing with climate change impacts: rising sea levels and warmer seas, the possibility of more frequent and severe cyclones, and less

reliable rainfall. The Cook Islands also needs to take steps to ensure that the loss of productive potential – the ‘economic scarring’ that so often follows a pandemic, is limited.

Quantity versus 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 a 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.

Moving from quantity to quality growth requires making trade-offs between the three dimensions of sustainable development: environmental, social and economic.



Determinants of quality growth

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, climate change impacts and fiscal spending ceilings.

The United Nations, which describes this model as shifting from 'quantity' to 'quality', defines five key determinants of quality growth: equity and access; efficiency and productivity; structural transformation and diversification; balanced investment; and, recognising economic, social and environmental limits.⁶

These determinants provide a flexible framework for making trade-offs between the three sustainable development dimensions. They have been adapted for the Cook Islands context and provide the basis for the 5 objectives of the Strategy:

- **improving equity and access for all** – addressing the unequal distribution of access to economic opportunities and services improves equity, which in turn drives better growth prospects and a more stable economy;
- **transforming our economy** – a more productive, complex and diverse

economy is more dynamic and resilient to shocks;

- **developing our people and culture** – building our human capital means investing our most important resource;
- **investing in our Islands** – investment in the Cook Islands, both public and private, stimulates demand for goods and services and builds the future capacity of local businesses; and
- **greening our economy** – efficient investment in our natural capital will improve economic growth and well-being using fewer resources and generating fewer emissions.

Together, these 5 objectives will drive quality growth, ensure the future sustainability of the Cook Islands economy, and allow us to achieve our shared vision. The objectives also provide a path to limit the impact of any long-term 'economic scarring' from the COVID-19 pandemic.

Strategy overview

The Cook Islands Economic Development Strategy 2030 has five objectives.

Each objective has several key focus areas and a number of indicators to measure progress.

Vision

Working together to build a dynamic, prosperous and inclusive economic future for Cook Islanders, that is in harmony with our culture and environment

Objective 1: Improving equity & access for all

Addressing the unequal distribution of access to economic opportunities & services improves equity, leading to better growth prospects & a more stable economy



Key focus areas

Improving equity across the Cook Islands through:

- improving the Government's welfare system;
- better access to land and housing; and
- minimum wage reform.

A more equitable Pa Enea through:

- reducing the cost of living;
- improving shipping and air services;
- better telecommunication, health, education and small business services.

Measuring progress

- Reduce the percentage of the population earning less than the minimum liveable income to 5 per cent by 2030.
- Reduce the national Gini coefficient to 0.3 by 2030.
- Reduce the Pa Enea Gini coefficient to the national level by 2030.
- Increase real growth in lowest 20 per cent of income earners by 1.5 per cent per year.
- Reduce property and personal crime rates.
- Decrease rate of premature deaths from NCDS to 10 per cent by 2030.
- Increase percentage of households owning their own home to 75 per cent by 2030.



Objective 2: Transforming our economy

A more productive, complex and diverse economy is more dynamic & resilient to shocks



Key focus areas

Transforming our economy by:

- fostering innovation;
- improving competition and market efficiency;
- improving the delivery of Government services;
- fostering our creative and cultural industries;
- capitalising on new economic opportunities.

Measuring progress

- Increase real economic growth in non-tourism related industries.
- Increase proportion of international arrivals from markets other than New Zealand and Australia.
- Reduce internet data costs.
- Improve the internet penetration rate.
- Improve the mobile penetration rate.
- Improve government productivity.

Objective 3: Developing our people & culture

Human capital is a key determinant of our economic growth & living standards



Key focus areas

Developing our people and culture by:

- increasing our population;
- increasing our labour force participation rates;
- increasing our skills base;
- building on the quality of our schools;
- valuing the contribution of our culture, traditions and community values;
- ensuring a productive workforce.

Measuring progress

- Increase the Cook Islands population
- Increase the female labour force participation rate to 70 per cent by 2030.
- Meet national Year 4 & 8 English & Maori literacy rate targets
- Meet Pa Enua Year 3 & 8 numeracy rate targets.
- Meet NCEA achievement targets
- Increase the number of vocational qualifications.
- Increase the percentage of population with vocational or tertiary qualifications.

Objective 4: Investing in our Islands

Investment in the Cook Islands, public & private, stimulates demand for goods & services and builds the future capacity of local businesses



Key focus areas

Promoting investment in the Cook Islands by:

- ensuring a stable macroeconomic setting;
- investing in essential infrastructure;
- maintaining an attractive business environment;
- broadening our economic base; and
- facilitating greater local content in business and industry.

Measuring progress

- 2 per cent annual real GDP growth rate on average.
- 2 per cent growth in real median income per year.
- Fiscal management in compliance with Medium-term Fiscal Strategy.
- Increase visitor numbers to pre-COVID-19 levels.
- Increase international visitor average daily expenditure.
- Reduce commercial electricity bills.
- Maintain business confidence.

Objective 5: Greening our economy

Efficient investment in our natural capital will improve economic growth and well-being using fewer resources and generating fewer emissions



Key focus areas

Greening our economy by:

- improving our eco-efficiency so we grow while using fewer resources and generate fewer emissions;
- preparing for climate change to mitigate the economic and social risks of a more extreme climate;
- having economic recovery plans in place to respond in the event of a natural disaster;
- improving the management of solid and liquid waste that is a direct by-product of our economic growth; and
- introducing better & more efficient ways of regulating the sustainable use of our environmental resources.

Measuring progress

- Increase the percentage of electricity generation from renewable energy.
- Increase the energy use efficiency in the Cook Islands.
- Increase the recycling rate to 75 per cent by 2030.
- Increase the percentage of properties with approved sanitation systems to 85 per cent by 2030.
- Increase the area under wetlands each year.



Objective 1: Improving equity & access for all

Addressing the unequal distribution of access to economic opportunities and services improves equity, which in turn drives better growth prospects and a more stable economy.

Introduction

The run of strong economic growth in the Cook Islands prior to the COVID-19 pandemic has translated into improvements in a number of welfare measures. However, as the pandemic has highlighted, gaps remained.

While Government support, both standard and emergency, has been crucial in softening the impact of the pandemic on households, it is expected that inequality will increase in the short-term.

This Strategy contains measures that will address both the short-term increase in inequality and the historical structural gaps that have hindered equity and access for all.

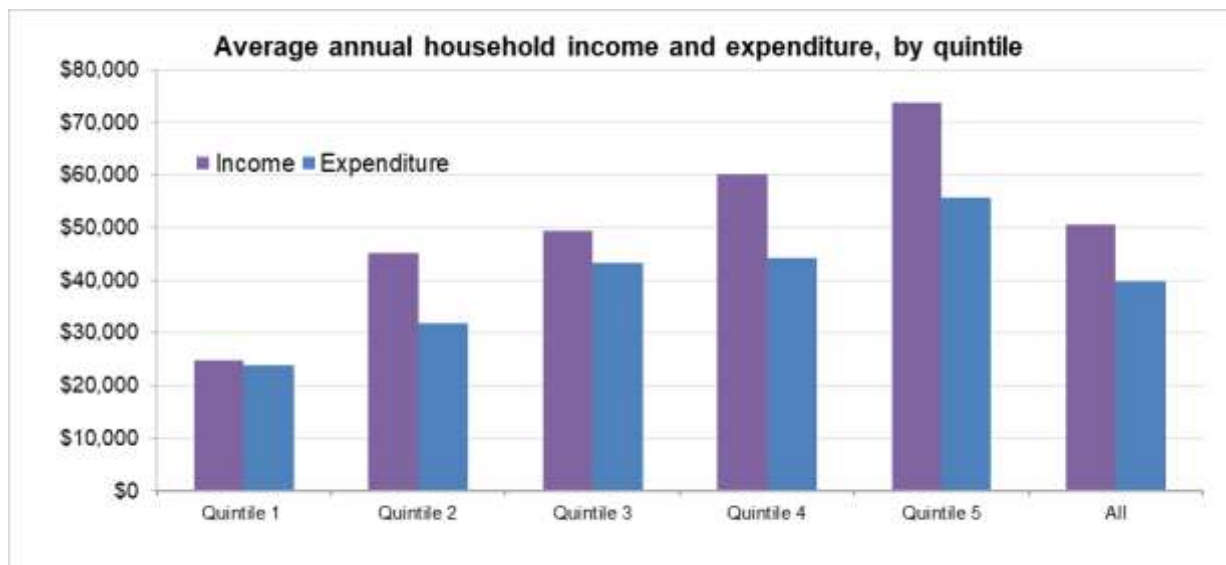
What is the Gini coefficient?

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.

National level

There has been a significant reduction in the Cook Islands population living below the minimum liveable income, from 11 per cent in 2016 to 8 per cent in 2018.

Tax data also indicates that real growth (after deducting the effect of inflation) in the incomes of the lowest 20 per cent (or Quintile 1) of earners has increased in recent years, by an average of 3.9 per cent.⁷ 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.



By the widely accepted international measure of inequality, the Gini coefficient, the 2015-16 Household Income and Expenditure Survey (HIES) reports a moderate level of income and wealth inequality in the Cook Islands, with a Gini coefficient of 0.36.

A review of the average income and expenditure for each consecutive quintile of households by income in 2015-16, shows that the lowest quintile is only able to save \$1,000 per year after expenses. This compares to the top quintile who save \$18,000 per year. This suggests that those in the higher income quintiles are more easily able to withstand tougher economic conditions, such as those currently being experienced – the basis for which it is expected that the downturn will increase inequality. The ability to have an amount of ‘rainy day’ savings mitigates the impact of any adverse economic conditions in a manner not available to those on lower incomes.

‘The economic strategy for the Cook Islands needs to be inclusive of all of our islands.’

Participant, Economic Development Conference

Regional level

Drilling down into the regional 2015-16 HIES data shows a marked difference in inequality between Rarotonga and the Pa

Enua. The Gini coefficient for Rarotonga is 0.329, compared to the more inequal 0.386 for the Pa Enua.

The average annual income of a Rarotongan household (including subsistence and housing) was \$55,150, in 2015-16, more than 43 per cent higher than that of Pa Enua households at \$38,480. Rarotonga households have a higher average household expenditure, but only 35 per cent more than Pa Enua households.

Equity and economic growth

There is considerable research that suggests that more equitable societies have better growth prospects and more stable and sustainable economies.

Sustainable development requires economic growth strategies that consider



both the distribution of access to economic opportunities, and access to the basic services that enable opportunities to be exploited.

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

Sustainable development also requires a safety net in the form of a national welfare system. Cash transfers and other social protection programs promote economic growth and productivity and are a prerequisite for equitable and sustainable development. In the Pa Enua, these social cash transfer payments provide a much-needed stimulus to economic activity.

Improving equity across the Cook Islands

The Government's welfare system

The Cook Islands has one of the most extensive formal social protection systems in the Pacific region, which started with the introduction of the old age pension in 1965.⁸ In addition, most of the benefits are not means tested and are universal or near-universal.

The [Ministry of Internal Affairs](#) implements the Government's social protection system under the [Welfare Act 1989](#), which includes the child benefit, new-born allowance, old age pension, infirm and destitute allowance and maternity leave payment. Non-legislated benefits include the caregivers' allowance, power subsidy,

'Social welfare benefits need to be updated.'

Participant, Economic Development Conference

funeral allowance, Christmas bonus and special assistance.

In addition to the development of new benefits over the years, the value of the support has also increased over the past decade, underscoring the Government's commitment to providing adequate social welfare to its citizens.

In 2019, the Government conducted a review of its social welfare system, which supports the premise that the current social programs are efficient and sustainable. However, the report noted that further work is required on refining the objectives, and communicating the guidelines and program rules (*Action 1.1*).

Better access to land and housing

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 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, and housing in particular. This is expected to worsen as the number of landowners per block grows, and the value of land increases.

At the same time, prior to the COVID-19 pandemic, Rarotonga was facing a housing shortage as a result of an increase in the use of private homes for short-term tourist accommodation and increased demand for long-term rental

'Lack of affordable housing and accommodation, mainly for outer island peoples coming into Rarotonga which makes it hard for them to be employed here.'

Participant, Economic Development Conference

accommodation from larger tourism operators for their contract staff.

As a result, long-term house rental prices have increased substantially, placing those families without access to land or housing at even more of a disadvantage. The 2015-16 HIES shows that the proportion of the total budget dedicated to housing increased from 21.8 per cent in 2006 to 27.6 per cent in 2016.⁹

In an effort to reduce pressure on the housing market, which we expect to return once the economy improves, as well as stimulate economic recovery, the Government has introduced an accelerated depreciation tax incentive to encourage investment in buildings and other assets, however land remains a key constraint (*Action 1.2*).

The Cook Islands Investment Corporation, which provides a stock of Government housing in Rarotonga for low income families, will also undertake a detailed housing market study to better inform further Government action in this area (*Action 1.3*).

The Government will also review the current Cook Islands land tenure system,

in partnership with the House of Ariki and the Koutu Nui, with a focus on creating more equitable and efficient access to land, to ensure its most productive use (*Action 1.4*).

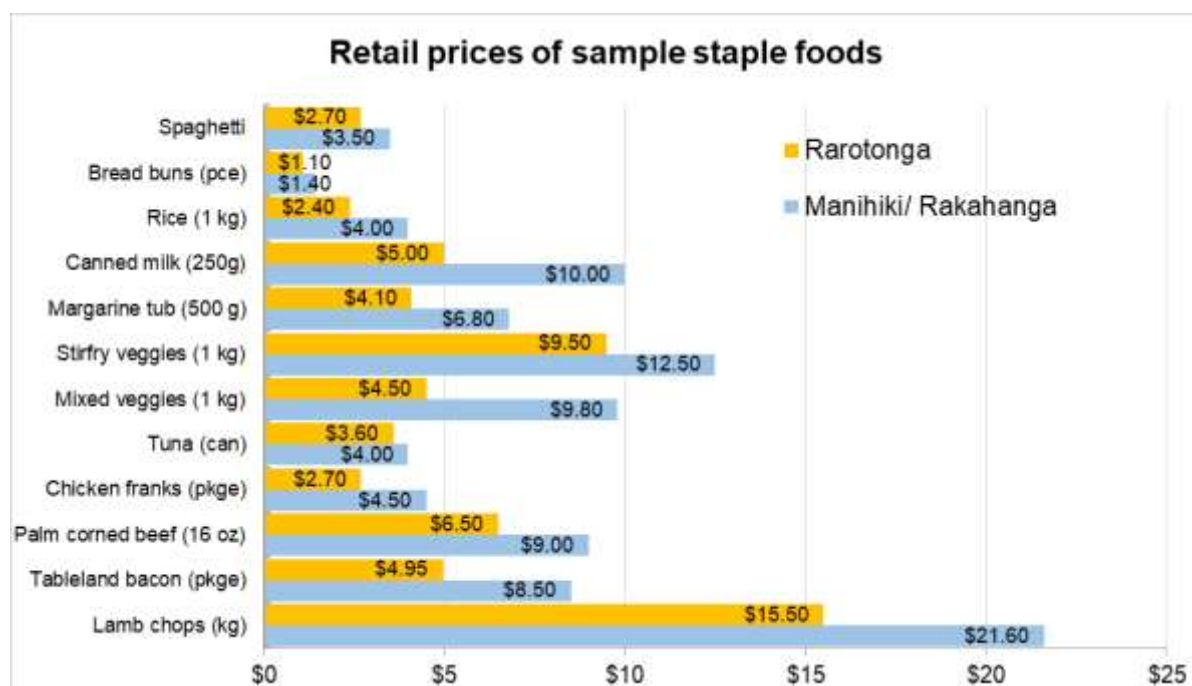
Minimum wage reform

A mandated minimum wage, the overt purpose of which is to protect workers against unduly low pay, is also often employed as one element of a policy to overcome poverty and reduce inequality.

'The tax free threshold and minimum wage need to be reviewed.'
Participant, Economic Development Conference

The Cook Islands, which first introduced a minimum wage in 1964, is one of the few Pacific countries that has a universal minimum wage with no exemptions. The universal wage is higher than almost all Pacific Island nations, with only the US Territories and French Polynesia having a higher minimum.

Prior to the pandemic, the majority of employers in Rarotonga were paying most, if not all, of their employees at rates of pay in excess of the current minimum wage. The main employers of minimum wage employees were the public sector, small businesses, employers of migrant



workers and the few businesses in the Pa Enea.

In the 2019 Minimum Wage Rate Review, an annual legislative requirement, the Review Panel recommended, and the Government agreed to raise the minimum wage from \$7.25 to \$7.60 per hour from 1 July 2019 with a further increase to \$8.00 per hour from 1 July 2020.

While the current annual wage review process has worked to protect low wage workers, it has some shortcomings, such as tax bracket creep. The Government's Economic Response Plan has taken steps to address this by increasing the tax free threshold to \$14,600 from 1 January 2021. This means that minimum wage earners working 40 hours per week are being taxed at 31 cents/hour compared to 46 cents/hour.

The Government will develop a National Minimum Wage Policy that will be used to guide minimum wage setting from

1 July 2021 onwards. The policy will set out the Government's minimum wage objective, based on a robust methodology, and informed by an expert comprehensive review to be undertaken with the assistance of the International Labour Organization (*Action 1.5*).

'Use by dates on goods a problem in shops thanks to freight delays.'

Participant, Mauke consultation

A more equitable Pa Enea

Reducing the cost of living

The basic cost of living in the Pa Enea is higher than Rarotonga. One of the largest expenditure groups in the 2015-16 HIES data, food and non-alcoholic beverages illustrates this point.

On average, Rarotonga households spend \$3,250 or 32 per cent less per year on basic food necessities than Pa Enea households.

Some of the difference may be attributed to local preferences on food spending, but the

major contributor is likely to be significantly higher prices in the Pa Enea. Sample data on food prices in Manihiki compared to Rarotonga collected in

'There are lots of opportunities for outer island people to develop good products and services but with unreliable transportation, this is difficult to make the most of.'

Participant, Economic Development Conference



September 2019, while only a small snapshot, highlight the price differential.

While higher grocery prices are not unexpected and may legitimately reflect higher transport costs to the Pa Enua as well as the lack of any economies of scale, any price exploitation would be cause for concern.

The Government will invite the Price Tribunal to undertake an investigation into

'No proper harbour – it was rough, so the ship took two days to offload so shops ran out.'

Participant, Mangaia consultation

prices in the Pa Enua under section 18 of the [Control of Prices Act 1966](#) (*Action 1.6*). The investigation, which will determine the underlying cause of the high pricing, will provide the necessary evidence base for further Government policy action.

Shipping services

Rarotonga and Aitutaki are served by a regular and reliable shipping service from New Zealand.

The frequency of shipping to the Pa Enua has increased in recent years, however there are still concerns around the

reliability, in terms of both scheduling and quality. This has been exacerbated in recent times following the exit of one of the two inter-island commercial shipping companies.

The lack of reliable and affordable shipping was a common theme across the Pa Enua public consultations. Many participants directly linked the lack of reliable shipping to a negative impact on economic development, limiting business and community planning.

In response, the Government has commenced the development of a Shipping Roadmap to be finalised when the fiscal situation improves. The Roadmap considers options for Government intervention to ensure the sustainable, safe, reliable and affordable provision of inter-island shipping (*Action 1.7*). One of the options is the establishment of a state-owned shipping

'It costs \$9,000 to ship a container to Mangaia – too expensive – and \$252 to fly to Raro.'

Participant, Mangaia consultation

fleet once the Government's fiscal position improves, while the most immediate solution is partnering with private sector operators to increase the affordability and



availability of shipping to the Pa Enea, in particular lifeline shipping services to the Northern Group.

Concerns were also raised about the impact of inadequate Pa Enea harbours on shipping services, especially anchoring safely during rough weather. As an interim measure, the Government will assess the viability of installing permanent buoys to assist the safe anchoring of vessels during rough weather (*Action 1.8*).

Air services

Air Rarotonga provides a regular reliable air service to most of the Pa Enea, but residents find the passenger airfares expensive. Residents, however, welcomed Air Rarotonga's \$1 per kilogram rate for farm produce airfreighted to Rarotonga.

Concerns were also raised in Penrhyn and Manihiki, for example, about the inability of the airport runways in the Northern Group to service larger, more cost-efficient Air Rarotonga aircraft that would help reduce the cost of airfares.

In response, the Government is planning two interventions. The first is a rolling airport resealing program for the Northern and Southern Groups (*Action 1.9*). The



Ministry of Transport is in the process of concluding aeronautical studies of the seven Island Government-administered airports serving the Pa Enea. The studies, which focus on compliance and safety standards, will also assess the capability of the airport sites to enable expansion for larger aircraft operations and the requirements for this

'The high cost of airfares is a problem, especially with no doctor or dentist. There are some things a nurse can't do.'

Participant, Mangaia consultation

expansion.

Second, the Government will consider the viability of establishing a Pa Enea Air Discount scheme (*Action 1.10*). The purpose of the scheme would be to deliver lower air fares for the residents of Cook Islands remote communities – the Pa Enea other than Aitutaki – whose main



residence is in an eligible area.¹⁰ It would also be open to students that are studying away from home, but whose main residence is in an eligible area.

Telecommunications services

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 the two main islands and the Pa Enea, which, amongst other things, impacts on the remote delivery of education services. The Government recognises that the provision of submarine cable services to Rarotonga and Aitutaki, with attendant bandwidth and price benefits under the new regulatory framework, has the potential to widen this digital divide.

The Government's telecommunications reforms, discussed in [Capitalising on telecommunications sector reform](#), have a strong focus on reducing the digital divide.

The *Telecommunications Act 2019* requires the Authority to develop a Universal Access Plan, in consultation with Pa Enea residents, and approved by the Minister (*Action 1.11*). The purpose of the Plan is to provide an affordable and high quality telecommunications service to the Pa Enea. To support this Plan, the Authority will establish a Universal Access Fund (*Action 1.12*). In the 2020/21 Budget, the Government appropriated \$220,000 as a contribution to the Fund. Our major donor partner New Zealand,

'If you are not in a hotspot you have to shout into your phone.'

Participant, Mangaia consultation

'We need a qualified doctor and dentist on Mitiaro.'

Participant, Mitiaro consultation

'Improving telecommunications will help keep children on our island longer.'

Participant, Atiu consultation

has also indicated that it intends to contribute to the fund under its Realm Country Connectivity Improvement initiative.

The Authority will be able to utilise the fund to support any required telecommunications infrastructure and service upgrades to meet the universal access provisions, with funding channelled through the Universal Access Fund.

The impact of COVID-19 has delayed the commencement of the work on developing and implementing the Universal Access Plan.

Health services

A broad suite of quality health services is provided in Rarotonga with a reduced service provided in the Pa Enea, with a Nurse Practitioner located on each island.

During the Pa Enea public consultations on the Strategy, a number of residents raised concerns about the lack of a full time doctor on the islands, noting that nurses are not a perfect substitute.

The Government recognises the gap in the level of health services between Rarotonga and the Pa Enea and is planning to address the issue in a cost-effective way.

Te Marae Ora has recently developed [Kaveinga Ora](#) – its flying doctors and dentist program – into a more integrated, structured, and comprehensive mobile health service. Kaveinga Ora will help support the Nurse Practitioner model through regular doctor visits to the islands (*Action 1.13*).

Improvements in the quality of Pa Enea telecommunications services will also help

better connect the Pa Enea medical workforce with Rarotonga so that Nurse Practitioners can access clinical advice more easily from the lead doctors of the various speciality areas.

Following the appointment of a resident medical doctor on Mangaia, the Government, through Te Marae Ora, will examine the merits of introducing an incentives scheme to attract more doctors and dentists to live and work in the Pa Enea (*Action 1.14*).¹¹

Education services

If choosing to continue with senior secondary education, Pa Enea students are required to relocate to Rarotonga after successfully completing their highest level of education on their island.

Financial support is provided to students and caregivers through a Pa Enea education scholarship. With no dedicated accommodation service for Pa Enea scholarship students, students either stay with family on

Rarotonga or their immediate family relocates with them.

The negative impact on student outcomes caused by this dislocation was a common theme during the Pa Enea public consultations on the Strategy.

In response, the Government will provide greater support to Pa Enea secondary students when relocating to Rarotonga through the building of dedicated student accommodation in Avarua (*Action 1.15*).

Strengthening the current provision of pastoral care, mentorship and career guidance for secondary school students is also key to ensure student well-being and equal access to opportunities. The Ministry of Education will review, and strengthen as necessary, current support services (*Action 1.16*).

Roads, water and waste management infrastructure

The impact of poor road, water and waste management infrastructure on the uptake of economic opportunities was a common

'It's not nice to tell tourists they can only take 1 shower a day'

Participant, Aitutaki consultation

'Waste management is a priority on Mauke – we are a tiny island and can't afford any more waste'

Participant, Mauke consultation



theme in the Strategy consultations across the Pa Eヌua. Water, for both human consumption and agricultural irrigation, was a particular concern along with the state of agricultural access roads, and the management of solid waste – both landfill and recycling – and in Aitutaki, sanitation, were highlighted as a constraint to further tourism development.

The Government, through [Infrastructure Cook Islands](#), has a range of infrastructure projects in the Pa Eヌua, such as the Air and Marine Infrastructure Improvement Programs, including design of development roadmaps.

The Government has separately requested a review and update of the National Infrastructure Investment Plan (NIIP), recognizing that the key infrastructure needs of the Pa Eヌua are an integral component of the revised plan.

The review will focus on updating the NIIP, as well as reprioritising and sequencing of projects. It will also consider ways to improve coordination between the Cook Islands Investment Corporation, Infrastructure Cook Islands and the Island

Governments to ensure that key island infrastructure priorities are being addressed in an efficient and effective way (*Action 1.17*).

Small business services

A number of business constraints were raised by residents during the Pa Eヌua Strategy consultation.

One specific example concerns the perceived double taxation of small businesses with a turnover of less than \$20,000 per year that resell goods

purchased wholesale in Rarotonga. Such businesses, which are not uncommon in the Pa Eヌua, are unable to register for Value Added Tax (VAT) and therefore

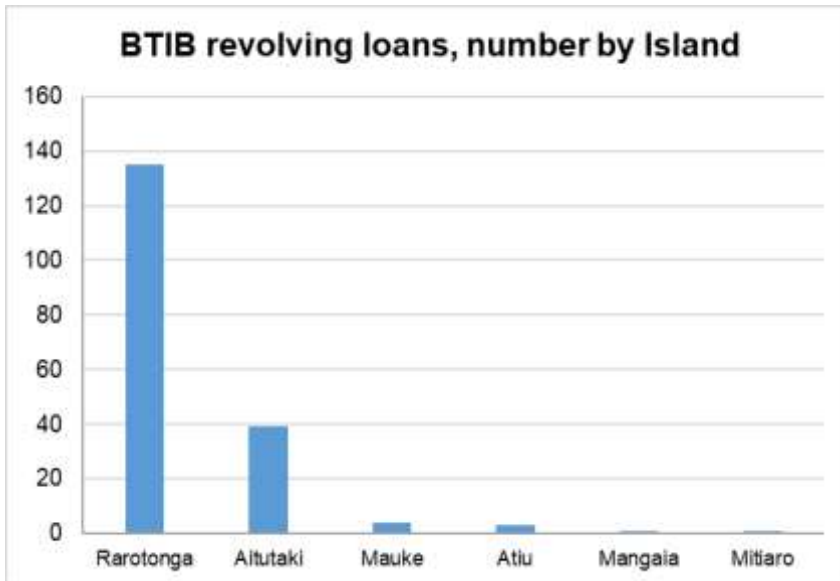
ineligible to claim refunds on wholesale VAT. This is commonly perceived as a one-sided situation, however as these businesses also do not collect VAT, they are not subjected to double taxation.

An investigation to ensure that VAT is being treated correctly by these businesses will be undertaken by Government, together with broader

'We need a market to sell craft in Rarotonga – look into Punanga Nui market to identify a hut for Penrhyn.'

Participant, Penrhyn consultation





communication on the issue in the Pa Enea ([Action 1.18](#)).

As part of its broader Revenue Strategy, the Government has received a *Tax Policy Review* from the International Monetary Fund. The review provides analysis of the taxation system and the implications for individuals and businesses. The review concludes that there are no unintended negative impacts on small business or other sectors. The review also includes recommendations to limit the burden on businesses, freeing them up to spur

economic activity, and a recommendation to increase the progressiveness of the personal income tax system to ensure greater equality.

The Government will consider the recommendations of the review in its Revenue Strategy (see [Action 4.9](#)).

Residents also expressed the need for additional business skills and marketing support to

assist in transitioning small-scale cottage industry operations to a more commercial footing. For example, a number of residents cited the positive impact of a commercial relationship between Prime Foods and some small Pa Enea agricultural and food product businesses.

The role of the Business Trade and Investment Board (BTIB) (see [Objective 4: Investing in our Islands](#)) in providing training and access to small unsecured business loans was welcomed, noting that



95 per cent of loan recipients are Rarotonga and Aitutaki businesses. In addition, a number of residents suggested that the onerous loan application process is discouraging people from applying.

As a means to improve practical support for Pa Enea businesses, including transitioning to a commercial scale, the Government will undertake the following actions:

- Review the effectiveness of the BTIB revolving fund loan scheme, and consider expanding it to specifically target small Pa Enea businesses (*Action 1.19*).
- Conduct a review into more effective sustainable mechanisms, public and/or private, to connect Pa Enea businesses with commercial Rarotonga and export markets (*Action 1.20*).
- Review and strengthen BTIB's current skills training programs to ensure they meet the marketing and commercialisation skills needs of Pa Enea businesses (*Action 1.21*).

Tourism development support

The potential to expand tourism opportunities in the Pa Enea provides a pathway to economic activity that has largely been absent in any large scale outside of Rarotonga and Aitutaki. More tourism in the Pa Enea is an efficient means to increase incomes for the people of the Pa Enea, and provide greater opportunities for jobs.

The Tourism Corporation has expressed support for small eco-friendly accommodation developments in the Pa Enea along with existing Destination Development work (*Action 1.22*).

The Government will also consider further measures to support the private sector in planning, implementing and marketing tailored package tours from Rarotonga to Pa Enea destinations (*Action 1.23*).

An example of such an initiative is the [two-night Mangaia excursion](#) collaboration between Air Rarotonga and Tiare Cottages.



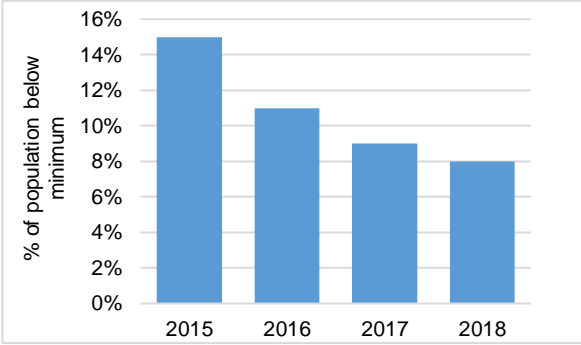
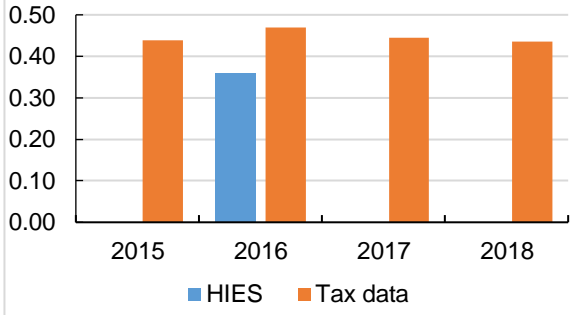
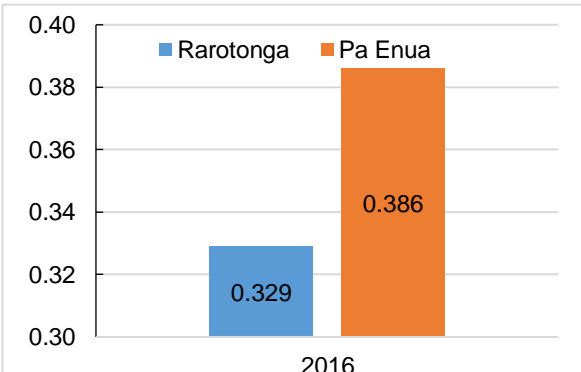
Objective 1: Actions

No.	Action	Lead Agency	Details	Indicative timing
1.1	Improvements to welfare system	INTAFF	Implement recommendations of the review of the social welfare system to ensure we have an efficient and effective system that fully meets the needs of the most disadvantaged members of our community	2021-22
1.2	Consider incentives for long-term worker accommodation	MFEM	As part of the Revenue Strategy, assess the merits for further incentivising tourism operators to build long-term housing for their staff	2021-22
1.3	Rarotonga housing market study	CIIC	Housing market study to better inform possible interventions to improve access to housing in Rarotonga	2022
1.4	Land tenure review	OPM/ MFEM	Review of the current land tenure system to ensure equitable and efficient access to land	2022
1.5	National Minimum Wage Policy	INTAFF	National Minimum Wage Policy developed to guide minimum wage setting from 1 July 2021 onwards	2021-22
1.6	Pa Enea grocery price investigation	Price Tribunal	Investigation to determine the underlying cause of high pricing and provide the evidence base for further Government intervention	2021
1.7	Shipping Roadmap	MFEM	Implement Shipping Roadmap actions to ensure the sustainable, safe, reliable and affordable provision of inter-island shipping	2023
1.8	Pa Enea Harbour buoys	MOT	Assess the viability of installing permanent buoys to assist the safe anchoring of vessels during rough weather	2021
1.9	Northern Group airport sealing	ICI	Tar sealing of selected Northern Group runways to permit larger aircraft operations	2021-2024
	Southern Group airport sealing	ICI	Tar sealing of selected Southern Group runways to permit larger aircraft operations	2023-2026
1.10	Pa Enea Air Discount Scheme	MFEM	Assess the viability of establishing a Pa Enea Air Discount scheme to deliver lower air fares for the residents of Cook Islands remote communities	2023
1.11	Universal Access Plan	Competition & Regulatory Authority (CRA)	Develop a Universal Access Plan in consultation with Pa Enea residents	2021

Objective 1: Actions

No.	Action	Lead Agency	Details	Indicative timing
1.12	Universal Access Fund	CRA	Establishment of a Universal Access Fund	2021
1.13	Kaveinga Ora Program	TMO	Implementation of Te Marae Ora's flying doctor and dentist program	Ongoing
1.14	Pa Enea medical staff incentive scheme	TMO/ MFEM	Assess the merits of introducing an incentives scheme to attract more doctors and dentists to live and work in the Pa Enea	2023
1.15	Pa Enea student accommodation	MOE/CIIC	Construction of dedicated student accommodation in Avarua for Pa Enea students	2022-2023
1.16	Supporting student wellbeing	MOE	Review current support services to ensure all secondary school students have access to mentorship and career guidance	2022
1.17	Review of the NIIP	CIIC/ICI/ Island Governments	Review of the NIIP, including ways to improve the efficient and effective delivery of projects to the Pa Enea	2021
1.18	Review of VAT application and communication	MFEM	The Government will review the application of VAT in the Pa Enea to ensure that it is being implemented correctly	2021
1.19	BTIB revolving loan fund expansion	BTIB	Review the effectiveness of the BTIB revolving fund loan scheme, and consider expanding it to specifically target small Pa Enea businesses	2021
1.20	Commercial support for Pa Enea businesses	BTIB	Review mechanisms, public and/or private, to connect Pa Enea businesses with commercial Rarotonga and export markets more effectively	2022
1.21	BTIB skills training in the Pa Enea	BTIB	Review of BTIB's current skills training programs to ensure they meet the marketing and commercialisation skills needs of Pa Enea businesses	2022
1.22	Tourism business support Pa Enea	CITC	Support new small-scale tourism business development	2022
1.23	Pa Enea package tour support	CITC	Support private sector package tours to Pa Enea destinations	2022

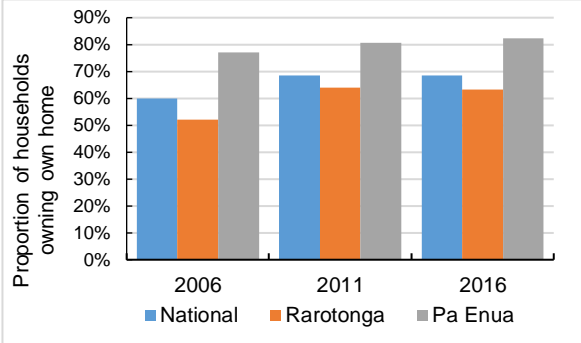
Objective 1: Demonstrating progress

Indicator	Target	Rationale	Current status															
<p>Ability to meet basic needs</p> <p>Percentage of population earning less than the minimum liveable income</p>	Less than 5 per cent by 2030.	This is a measure of the population who are facing extreme poverty.	<p>In 2018, 8 per cent of the population was estimated to be earning less than the minimum liveable annual income of about \$20,845.</p>  <table border="1"> <caption>% of population below minimum</caption> <thead> <tr> <th>Year</th> <th>% of population below minimum</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>15%</td> </tr> <tr> <td>2016</td> <td>11%</td> </tr> <tr> <td>2017</td> <td>9%</td> </tr> <tr> <td>2018</td> <td>8%</td> </tr> </tbody> </table>	Year	% of population below minimum	2015	15%	2016	11%	2017	9%	2018	8%					
Year	% of population below minimum																	
2015	15%																	
2016	11%																	
2017	9%																	
2018	8%																	
<p>National income distribution</p> <p>National Gini coefficient</p>	Reduce the Gini coefficient towards 0.3 by 2030.	Headline measure of national income inequality - the Gini coefficient is a globally recognised measure of inequality.	<p>The national Gini coefficient was estimated at 0.360 in 2016 using HIES data.</p>  <table border="1"> <caption>National Gini coefficient</caption> <thead> <tr> <th>Year</th> <th>HIES</th> <th>Tax data</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-</td> <td>0.43</td> </tr> <tr> <td>2016</td> <td>0.36</td> <td>0.44</td> </tr> <tr> <td>2017</td> <td>-</td> <td>0.44</td> </tr> <tr> <td>2018</td> <td>-</td> <td>0.43</td> </tr> </tbody> </table>	Year	HIES	Tax data	2015	-	0.43	2016	0.36	0.44	2017	-	0.44	2018	-	0.43
Year	HIES	Tax data																
2015	-	0.43																
2016	0.36	0.44																
2017	-	0.44																
2018	-	0.43																
<p>Regional income distribution</p> <p>Pa Enea Gini coefficient comparison with Rarotonga</p>	Narrow the gap between the Pa Enea and Rarotonga Gini coefficients.	Comparing inequality in Rarotonga versus the Pa Enea sheds some insight into where benefits of growth are accumulating.	<p>The Pa Enea Gini coefficient was estimated at 0.386 in 2016, more unequal than the Rarotonga coefficient of 0.329.</p>  <table border="1"> <caption>Regional Gini coefficients (2016)</caption> <thead> <tr> <th>Region</th> <th>Gini coefficient</th> </tr> </thead> <tbody> <tr> <td>Rarotonga</td> <td>0.329</td> </tr> <tr> <td>Pa Enea</td> <td>0.386</td> </tr> </tbody> </table>	Region	Gini coefficient	Rarotonga	0.329	Pa Enea	0.386									
Region	Gini coefficient																	
Rarotonga	0.329																	
Pa Enea	0.386																	

Objective 1: Demonstrating progress

Indicator	Target	Rationale	Current status															
<p>Low income earners</p> <p>Change in real growth in lowest 20 per cent of incomes</p>	Annual increase of 1.5 per cent.	Indicator of the extent to which economic growth benefits are being shared.	<p>Real growth in the lowest 20 per cent of incomes was estimated at 24 per cent 2019, rising from \$10,430 in 2018 to \$12,929.</p> <table border="1"> <caption>Data for Low Income Earners Chart</caption> <thead> <tr> <th>Year</th> <th>Income of 20th percentile (\$)</th> <th>Growth in 20th percentile (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>~7,000</td> <td>~15%</td> </tr> <tr> <td>2017</td> <td>~10,000</td> <td>~25%</td> </tr> <tr> <td>2018</td> <td>~10,430</td> <td>~10%</td> </tr> <tr> <td>2019</td> <td>12,929</td> <td>24%</td> </tr> </tbody> </table>	Year	Income of 20th percentile (\$)	Growth in 20th percentile (%)	2016	~7,000	~15%	2017	~10,000	~25%	2018	~10,430	~10%	2019	12,929	24%
Year	Income of 20th percentile (\$)	Growth in 20th percentile (%)																
2016	~7,000	~15%																
2017	~10,000	~25%																
2018	~10,430	~10%																
2019	12,929	24%																
<p>Crime rate</p> <p>Offences against the person and against property</p>	Reduce property and personal crime rates.	Lower crime rates improve liveability and security for business enterprises to operate.	<p>Over the last few years reported domestic violence and burglary offences have shown a declining trend.</p> <table border="1"> <caption>Data for Crime Rate Chart</caption> <thead> <tr> <th>Year</th> <th>Domestic violence</th> <th>Burglary</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>4.5</td> <td>-</td> </tr> <tr> <td>2018</td> <td>9.5</td> <td>-</td> </tr> <tr> <td>2019</td> <td>5.0</td> <td>9.0</td> </tr> <tr> <td>2020</td> <td>5.5</td> <td>8.0</td> </tr> </tbody> </table>	Year	Domestic violence	Burglary	2017	4.5	-	2018	9.5	-	2019	5.0	9.0	2020	5.5	8.0
Year	Domestic violence	Burglary																
2017	4.5	-																
2018	9.5	-																
2019	5.0	9.0																
2020	5.5	8.0																
<p>Health</p> <p>Rate of premature deaths from Non Communicable Diseases (NCDs)</p>	Reduce to 10 per cent by 2030.	Health concerns are one of the leading impediments to access for people, and NCDs remain a key concern for the Cook Islands.	<p>The rate of premature deaths from NCDs has been declining and was estimated at about 20 per cent in 2018.</p> <table border="1"> <caption>Data for Health Chart</caption> <thead> <tr> <th>Year</th> <th>Death rate from NCDs (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>~24%</td> </tr> <tr> <td>2017</td> <td>~22%</td> </tr> <tr> <td>2018</td> <td>20%</td> </tr> </tbody> </table>	Year	Death rate from NCDs (%)	2016	~24%	2017	~22%	2018	20%							
Year	Death rate from NCDs (%)																	
2016	~24%																	
2017	~22%																	
2018	20%																	

Objective 1: Demonstrating progress

Indicator	Target	Rationale	Current status																
<p>Home ownership</p> <p>Percentage of Cook Islands households owning their own home</p>	<p>Increase to 75 per cent by 2030.</p>	<p>Home ownership can create family wealth and an improved quality of life.</p>	<p>In 2016 it was estimated that 68.5 per cent of Cook Islands households owned their own homes. Pa Enea home ownership was higher at 82 per cent, with Rarotonga lower on 63 per cent.</p>  <table border="1"> <caption>Proportion of households owning own home</caption> <thead> <tr> <th>Year</th> <th>National</th> <th>Rarotonga</th> <th>Pa Enea</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>60%</td> <td>52%</td> <td>78%</td> </tr> <tr> <td>2011</td> <td>68%</td> <td>63%</td> <td>80%</td> </tr> <tr> <td>2016</td> <td>68.5%</td> <td>63%</td> <td>82%</td> </tr> </tbody> </table>	Year	National	Rarotonga	Pa Enea	2006	60%	52%	78%	2011	68%	63%	80%	2016	68.5%	63%	82%
Year	National	Rarotonga	Pa Enea																
2006	60%	52%	78%																
2011	68%	63%	80%																
2016	68.5%	63%	82%																



Objective 2: Transforming our economy

A more productive, complex and diverse economy is more dynamic and resilient to shocks.

Introduction

Improving the productivity¹² of industry and government – producing more output for the same amount, or fewer, inputs – and transforming our economy to become more complex and diverse, can bring considerable and sustainable benefits.

Applying knowledge and skills to products, processes and services in the private and public sectors is critical for long term economic growth. The key to securing these benefits is:

- Encouraging the development and adoption of more innovative and productive technologies.
- Ensuring competitive markets and regulation of monopolies
- Improving the delivery of Government services.
- Fostering our creative and knowledge industries to strengthen and diversify our economic base.
- Capitalising on the new economic opportunities, such as seabed minerals harvesting and the telecommunications sector reforms.

Rather than the Government directly targeting particular industries for diversification – the ‘picking winners’ approach, the Strategy will deliver an economic environment that supports and

Cook Islands productivity

It is estimated that the average annual labour productivity growth in the Cook Islands was 6.1 per cent between 2006 and 2011. This slowed to 2.7 per cent from 2011 to 2016.

encourages private sector-led diversification.

Fostering innovation

Technologies underpin industry productivity, competitiveness and profitability. Investing in the research, development and uptake of new products, processes and labour force skills is also necessary.

To capture the benefits of innovation, the Cook Islands economy requires a culture of innovation across all sectors including business, government, education, not-for-profits and the general community.

A good example of a local innovation initiative is the [Centre of Excellence in Information Technology](#) at the University of the South Pacific Campus in Rarotonga. This joint collaboration between the Governments of India and the Cook Islands is creating an industry-ready ICT talent pool to cater to the Cook Islands national development.

The Government will work with private and public stakeholders to develop an Innovation Strategy that will focus on capacity building, research and development partnerships and growth opportunities to meet business and industry needs (*Action 2.1*).

Competition and market efficiency

Effective competition drives the efficient use of scarce resources. Where competition is not feasible, for example where it is cheaper for one firm to provide services, independent regulatory oversight is critical to ensuring efficiency.

Monopolistic (one firm) and oligopolistic (a few firms) behaviour, especially in the absence of independent scrutiny, can lead to reduced competition, suppressed efficiency and contribute to higher prices.¹³

Low levels of competition also reduce the incentive for, and therefore the levels of, ingenuity, innovation and productivity. As such, market structure plays a critical role in the level of productivity of an economy.

The Cook Islands is currently served by a number of monopolies, including electricity, telecommunications, domestic air services and inter-island shipping. The Cook Islands grocery sector is dominated by a just a few firms, and our banking sector comprises just three full-service retail commercial banks.

The Cook Islands, which has neither a national competition policy, nor a stand-alone competition law framework, has largely relied on the *Control of Prices Act 1966* to protect consumer welfare.

The Government will undertake a number of initiatives to improve market efficiency for the benefit of consumers.

The *Control of Prices Act 1966*, which has been criticised for being out of date,¹⁴ has recently been amended, including more robust offences and penalty provisions. This will ensure that the Act provides an effective deterrent against price exploitation. The Price Tribunal will also undertake a review of prices in the Pa Enua (see [Action 1.5](#)).

The Government has recently [opened the telecommunications market to competition](#), supervised by a new

Price Tribunal

The Tribunal: Louis Enoka (President), Catherine Evans and Allister Webb.

Powers: Set maximum goods and services prices and investigate complaints about exploitative trade practices, including those that effectively reduce competition.

Controlled prices: maximum wholesale and retail prices for petrol, diesel, Liquid Petroleum Gas and white bread.

Other responsibilities: Control of weights and measures.

independent economic regulator — the Competition and Regulatory Authority. These reforms will shepherd in a competitive era that will drive down retail telecommunication prices and improve service delivery, for the benefit of consumers. The reforms are discussed in more detail below in ***Making the most of the ICT revolution***.

The Competition and Regulatory Authority will initially have a sole focus on the telecommunications industry. The Government will then extend its remit to the monopoly provision of electricity and water and sewerage services, which have natural monopoly characteristics ([Action No 2.2](#)).

Independent regulatory oversight will ensure that these monopoly utility services are provided efficiently – that is at least cost and allocated efficiently between consumers.

The Government will also investigate the benefits of the Competition and Regulatory Authority taking on a broader national competition role. This would entail, in addition to its utility-related functions, assuming economy-wide responsibility for competition, pricing and trade practices, along with other economic regulatory and licensing functions currently carried out by other agencies and boards across Government ([Action 2.3](#)).



The Government will request the [Financial Supervisory Commission](#), the Cook Islands financial regulator, to review banking sector competition and recommend any legislative or administrative action it thinks necessary to limit any potential for any anti-competitive practices (*Action 2.4*).

Improving the delivery of Government services

Improving Government productivity can bring considerable and sustainable benefits. The Government's operating expenditure is estimated at \$170 million in 2019/20, about 31 per cent of GDP. A more efficient and effective Government helps ensure the nation's resources are being used wisely and are making the greatest contribution to wellbeing.

Improved public sector productivity also matters for the private sector. For example, publicly funded education and training increases the supply of skilled workers and entrepreneurs. Police and court services prevent economic loss from crime and support the fair and timely resolution of business and contractual disputes. Therefore, productivity improvements in public services are likely

to contribute to better economic performance.

The Government is committed to working towards greater levels of administrative efficiency and delivery of evidence-based decisions.

Public financial management improvements

In order to ensure that we meet the highest standards of public finance, the Government submits to regular Public Expenditure and Financial Accountability (PEFA) reviews by the International Monetary Fund. PEFA is a tool, recognised as international best practice, to assess the strengths and weaknesses of a country's public financial management (PFM) systems to determine the state of governance.

The most recent [2015 PEFA](#) assessment found significant improvements in PFM systems since the 2011 assessment, and highlighted several areas for improvement: notably multi-year fiscal planning and budgeting and no automated accounting system.¹⁵ The next PEFA assessment is scheduled for 2021 (*Action 2.5*).

Following the 2015 PEFA, the Government has implemented its Medium-term Fiscal Strategy (see [Objective 4: Investing in our Islands](#)), and is implementing a new ICT-based Financial Management Information System (FMIS). The new system will streamline the PFM process from budget preparation and execution to accounting and reporting of line ministries and other agencies.

The real-time financial data provided through FMIS will enable the Government to more efficiently manage resources, meet its international and domestic financial reporting obligations, and improve governance through improved transparency and accountability of public funds.

The Government will continue its phased rollout of FMIS to all agencies by 2022.

(Action 2.6)

Expenditure and organisational reviews

In 2018 the Government undertook an agency-wide public expenditure review with the objective of improving the capacity and capability of agencies to efficiently and effectively meet their National Sustainable Development Plan goals. The review findings informed agency budget allocations in the 2019/20 Budget. Key changes included substantial additional funding for the law and order and health sectors.¹⁶

The Government will review the performance and expenditure of all agencies every four years, with the next review scheduled for 2022 *(Action 2.7)*.

At the same time the Government will conduct a broader institutional review of the most efficient way to provide common core services across agencies, such as finance, corporate services and human resources *(Action 2.8)*.

Cost-effective remote service delivery

One of the major challenges is to find creative ways of managing the costs of delivering services in the Pa Enea, particularly the remote Northern Group and Palmerston.

In 2020/21, the Government directly appropriated \$12.4 million in operating expenditure for Pa Enea island administrations. Operating and capital expenditure by Rarotonga-based Government agencies on the Pa Enea is estimated at an additional \$21.5 million. Together, this accounts for about 17 per cent of the total 2020/21 Government appropriation for operating and capital expenditure. This compares to the 25 per cent Pa Enea proportion of the total Cook Islands population.

In the Strategy, the Government will tackle this issue on several fronts.

The Government will utilise its e-Government initiative. This, together with the Pa Enea telecommunications service upgrade that is part of the broader telecommunications reforms, will provide opportunities for improved remote delivery of particular services, for example health consultations. This is considered in more detail below in [Making the most of the ICT revolution](#).

The Government's plans for inter-island shipping, discussed in [Objective 1: Improving equity and access for all](#), will also enable the more timely and cost-effective delivery of Pa Enea capital projects.

Procurement

Public sector procurement, the process by which government purchases goods, works and services, is an important economic activity in the Cook Islands where the balance needs to be struck between getting value for money for the

taxpayer's dollar and allowing local suppliers to supply to government.

The Government's procurement approach is set out in its [Purchase and Sale of Goods and Services Policy \(Procurement Policy\) 2016](#).

A number of procurement efficiency improvements have been made in recent years. This includes the establishment of a Government online [Procurement Portal](#) for tendering. The Government also introduced the [Government Fleet Management Policy 2018](#),¹⁷ along with a whole of government approach to cost-effectively procuring vehicles. MFEM has also established a [Major Projects and Procurement Support Division](#), which will ensure further procurement efficiencies.

Consolidated Government building

Public service efficiency is currently limited by delivery from multiple locations throughout Rarotonga, on a mix of Crown land and private property, and from buildings that are not fit for purpose. The [Vaikapuangi Redevelopment Project](#) will address improve public service efficiency by centralising about 20 of 29 Government agencies in a new, purpose-built office

complex in central Rarotonga. The Government will make an investment decision on the Vaikapuangi project in 2022 (*Action 2.9*).

Fostering our creative and cultural industries

Creative and cultural industries are driven by individual creativity, ideas, skill and talent. They have the potential to grow and contribute to innovative economies and communities.

They can also be a source of innovation that other sectors draw upon, and earn income from, by selling diverse products, services and intellectual property through entertainment, visual and performing arts, cultural collections, fashion and food culture to name a few.

For example, the Cook Islands is well recognised internationally for its cultural performing arts. The [Ministry of Cultural Development](#) is charged with stewardship of our cultural heritage, including encouraging the growth and expansion of cultural business opportunities. The world-renowned Te Maeva Nui festival, an annual celebration of traditional music and dancing from across the Cook Islands, is



the highlight of the Ministry's cultural calendar.

The Cook Islands Tourism Corporation's [Sustainable Tourism Development Policy](#) is a further illustration of the Government's commitment to building on the economic opportunities afforded by our creative and cultural heritage.

Under the Strategy, the Government will introduce a new grant funding initiative aimed at fostering creative industries ([Action 2.10](#)). This initiative will have a similar structure to the [SMART Economy Initiative](#) under the Economic Response Plan, and will target innovative and viable business ventures in the creative industries.

Capitalising on new economic opportunities

Seabed minerals harvesting

The Cook Islands EEZ (Exclusive Economic Zone) contains as much as 12 billion tonnes of mineral-rich nodules at depths of 5,000 metres.

The polymetallic nodules contain cobalt, nickel, copper, manganese, titanium, and valuable rare earth elements. These

precious metals are in high demand in the communications and other industries, and for most smart and green technologies.

The seabed minerals sector has the potential to transform the economy, lessen reliance on the tourism industry, advance scientific knowledge of our Marae Moana, and allow the Cook Islands to take responsibility for its own resilience funding in the face of increasing impacts from climate change.

With the *Seabed Minerals Act 2019* in place, the [Seabed Minerals Authority](#), along with the [Seabed Minerals Working Group](#), will ensure that the next phase of licensing and exploration survey work will be undertaken in line with best regulatory and environmental practice ([Action 2.11](#)).

The Government has also recently appointed the [Seabed Minerals Advisory Committee](#), comprising religious, aranga mana, environmental, private sector, sporting, youth and academic community leaders. The Committee will make recommendations to the Seabed Minerals Authority on seabed minerals policies, and provide a voice for the community.



At the same time, the Government will review its current seabed minerals financial regime to ensure that we maximise the financial benefits for Cook Islanders from minerals harvesting ([Action 2.12](#)).

Marine support industry

Development of the seabed minerals resource also provides an opportunity to develop a new Cook Islands marine support industry.

Following the exploration stage and identification of commercially and environmentally feasible deposits, the harvesting phase is likely to involve a large, offshore-based vessel or floating platform that handles the remotely operated seafloor harvesting and cargo transfer equipment. This installation may require smaller locally-based platform supply vessels to ferry essential equipment and personnel necessary to sustain the offshore operation.

In addition, there may be further potential for a Northern Group marine hub to support inter-island shipping services and the offshore tuna fishing fleet.

The Government has commenced the development of a Shipping Roadmap to improve domestic inter-island shipping services (see [Objective 1: Improving](#)



Seabed Minerals Authority

The Seabed Minerals Authority is the statutory agency responsible for the management and regulation of all seabed mineral activity under the Cook Islands jurisdiction.

The [Marae Moana Act 2017](#) provides a robust overarching framework for ocean governance that allows the Cook Islands to both protect our ocean and utilise its resources in a sustainable and responsible manner.

Following extensive consultation led by the Authority, the [Seabed Minerals Act 2019](#), which sets up a world-class framework for licensing and regulating exploration and minerals harvesting, was passed in June 2019.

The next step in the development of the sector is exploration licensing to commercial operators to undertake exploration research.

[equity & access for all](#) for more detail). The Roadmap will also investigate the development of a marine support industry (see [Action 1.6](#)).

Capitalising on telecommunications sector reforms

‘Ensure seabed harvesting happens so the dependence on tourism is relieved and the welfare of Cook Islanders becomes sustainable.’

Participant, Economic Development Conference

The [Cook Islands National ICT Policy 2016-2020](#) and the [Cook Islands ICT Strategy 2019-2024](#)

provide the strategic ICT policy framework, with a vision to transform the Cook Islands into a ‘knowledge and information society’.

The Government has made two major changes to the telecommunications sector in support of this vision, that together will result in an ICT transformation.

The Manatua Cable

The first is the establishment of the

Manatua submarine cable, which links Rarotonga and Aitutaki to the world via Tahiti and Samoa. [Avaroa Cable Limited](#), a wholly Government-owned company, has been set up to own and operate the Cook Islands portion of the Manatua Cable and provide broadband services to the islands of Rarotonga and Aitutaki. ACL, a [licensed operator](#) under the *Telecommunications Act 2019*, began providing services in August 2020, following the signing of a multi-year partnership deal with Vodafone Cook Islands.

The key objective of the Manatua Cable is to be an enabler for the provision of reliable, high-capacity bandwidth at affordable prices by retailers for Cook Islands consumers.

[Competition reform](#)

The second major change is opening the telecommunications market, which is currently serviced by a single retail service provider, Vodafone Cook Islands, to competition through the [Cook Islands Telecommunications Market Competition Policy 2019](#). The legislation that gives effect to this Policy — the [Competition and Regulatory Authority Act 2019](#) and the

Manatua Cable

The 3,600 km Manatua One Polynesia Cable connects Apia in Samoa, Niue, Rarotonga and Aitutaki in the Cook Islands, and Tahiti and Bora Bora in French Polynesia.

The cable is capable of operating at up to 10 tera bits per second (= 10,000,000 megabits per second) using state-of-the-art fibre optic technology, enough speed to download 300 high definition movies every single second.

The Cook Islands' participation in the Manatua Cable project is supported and funded jointly by New Zealand's Ministry of Foreign Affairs (grant funding) and Trade and the Asian Development Bank (loan finance).

[Telecommunications Act 2019](#) — came into force in December 2019.

The first Act establishes the independent regulator. The Competition and Regulatory Authority was established on 31 March 2020 following the appointment of the inaugural Chair, with funding allocated in the 2020/21 Budget to establish the office. The second Act contains the new competitive framework that will govern telecommunications service providers under the supervision of the Competition and Regulatory Authority.



The new submarine cable will provide affordable, expanded and faster international bandwidth, while a competitive telecommunications market will drive service and price benefits.

In order to maximise the economic impact of the Manatua Cable and the market reforms, the Government will undertake a number of actions.

Policy leadership & implementation

Policy responsibility for the Cook Islands ICT sector lies with the ICT Division of the Office of Prime Minister, which is constrained by its Government service provision role. The Government will assess the merits of establishing a stand-alone Ministry of Innovation, Information and Communication to enable more effective and efficient strategic policy leadership and implementation for the sector (*Action 2.13*).

Pa Enuā service upgrade

Another key priority for the Government is improving the quality of telecommunications services in the Pa Enuā. Government actions in this regard are discussed in [Objective 1: Improving equity & access for all](#).

SMART Economy Initiative

The [SMART Economy Initiative](#) (SMART) commenced in July 2020 under the Government's Economic Response Plan. The aim of the \$2 million initiative, which

SMART Grant: SCO Rarotonga

SCO Rarotonga submitted an innovative *Cook Islands Business Hub* proposal that will provide the commercial infrastructure, technology and support for businesses, aspiring young professionals, and foreign businesses to collaborate and cultivate the future of Cook Islands' professional services in a growing Cloud Business environment.

Following a two stage review of the proposal, the SMART Panel approved \$50,000 in grant support.



provides grants and tax credits, is to support commercially-viable business ventures that will provide new or scaled-up innovative ICT applications and services to businesses and consumers.

The first Grant Funding Agreement under the initiative was signed in [August 2020](#), with 10 business ventures approved for grant funding worth more than \$800,000, by the end of October 2020.

Review of Government telecommunications shareholding

The Government owns 40 per cent of Telecom Cook Islands Limited, the incumbent telecommunications service provider in the Cook Islands trading as

Vodafone Cook Islands. In light of the competition reforms, the Government will undertake a strategic review of its shareholding (*Action 2.14*).

Guaranteeing the broader reform benefits

The submarine cable and competition reforms will be key enablers, but other actions are of critical importance to ensure that the full benefits are realised.

For example, e-health innovation has the potential to address issues of remoteness and lack of access to local health care providers and facilities. The question that arises is; what additional measures are required to ensure that E-health innovation is possible? In Cornwall, United Kingdom, the e-health programme was supported by a challenge fund open to local businesses to enable them to work with health teams and individuals in order to design technology solutions.

Moreover, a recent MFAT-funded Digital Economy Development survey examined the extent to which firms in the Cook Islands are adopting digital technologies to

manage their operations, planning and vendor and customer relationships.¹⁸ The survey found limited digitisation at the operational level, and the primary sales channels for most firms remains traditional phone calls or email orders. This suggests that there is further work to be done to encourage and facilitate the adoption of digital technology at the business level.

The Government will, in collaboration with key industry and community stakeholders, develop an action plan to ensure that necessary arrangements are put in place to further drive digital uptake. This may include tasks such as (*Action 2.15*):

- development of a local awareness campaign to drive change;
- establishing an advisory team to support businesses to change and adapt to new ICT technologies and services; and
- implementing an adult education program to provide people with their first experience of the internet.



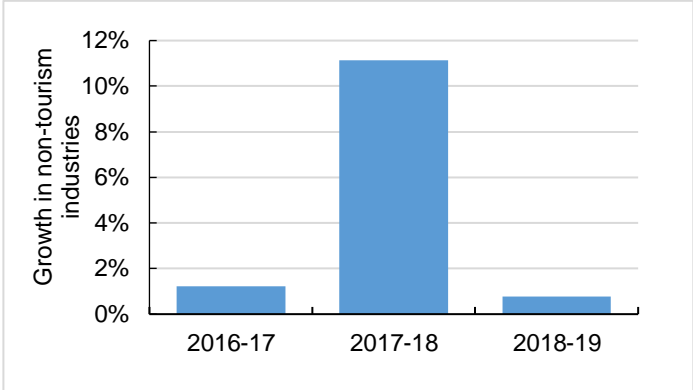
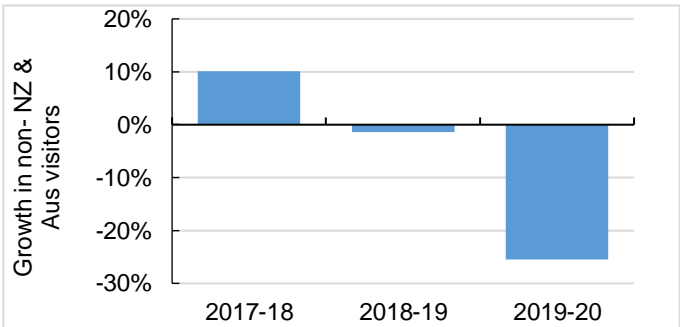
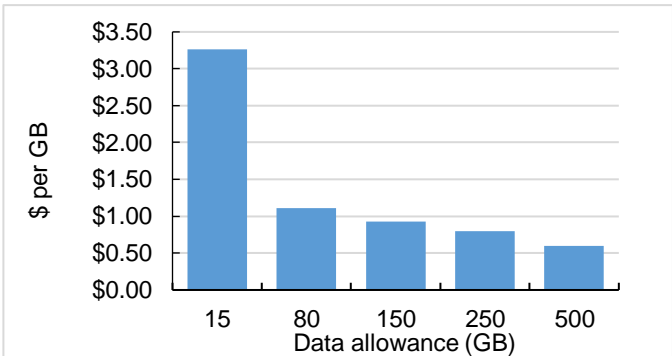
Objective 2: Actions

No.	Action	Lead Agency	Details	Indicative timing
2.1	Innovation Strategy	MFEM/ new Ministry of Innovation, Information & Communication (if established)	Develop an Innovation Strategy, focussing on capacity building, research and development partnerships and growth opportunities to meet business and industry needs	2023
2.2	Extend remit of Competition & Regulatory Authority	MFEM	Regulation policy and legislation to extend the CRA's remit to the electricity, water and sewerage utility sectors	2021
2.3	Investigate Commerce Commission-type role for CRA	MFEM	Commission expert report	2024
2.4	Review of banking sector competition	FSC	Competition review and recommendations to Government	2021
2.5	PEFA review	MFEM	Public Expenditure and Financial Accountability review by the IMF	2021
2.6	FMIS	MFEM	Continue rollout of FMIS to all Government agencies	2022
2.7	Public expenditure review	MFEM	Review the performance and expenditure of all agencies every four years	2022
2.8	Agency core functions review	OPSC	Review of core functions to improve efficiency	2022
2.9	Vaikapuangi Redevelopment Project	CIIC	Government investment decision on the consolidated Government building project	2022
2.10	Creative Industries Initiative	MFEM	Design and implement a new grant funding initiative to support industry development	2021
2.11	Seabed licencing and exploration	Seabed Minerals Authority	Complete exploration licensing tender process	2021
2.12	Seabed minerals financial regime	MFEM	Review of current royalty and taxation regime	2021
2.13	Ministry of Innovation, Information & Communication	OPM/ MFEM	Assess the cost, benefits and required administrative arrangements to establish the new agency	2022

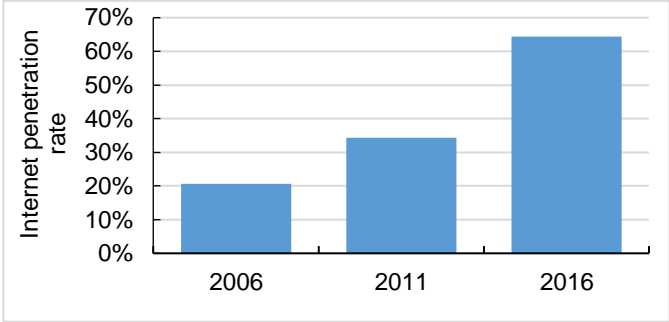
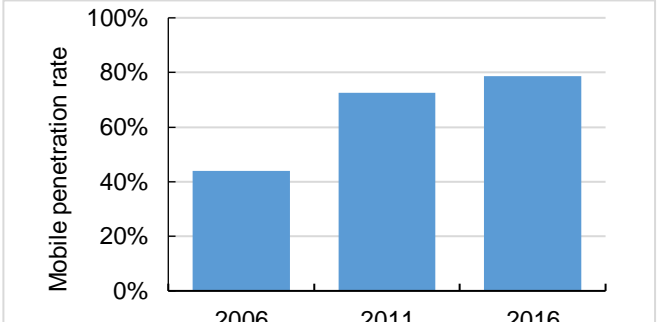
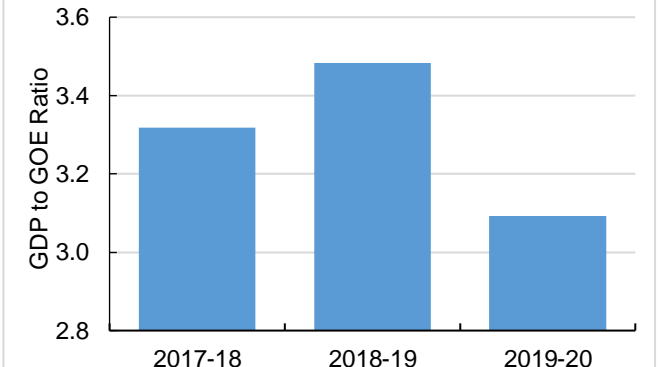
Objective 2: Actions

No.	Action	Lead Agency	Details	Indicative timing
2.14	TCI shareholding review	CIIC/MFEM	Conduct strategic review of Government shareholding in TCI	2021
2.15	Capitalising on ICT reforms	MFEM/OPM	Develop action plan to maximise benefits of the cable and market reforms	2021

Objective 2: Demonstrating progress

Indicator	Target	Rationale	Current status												
<p>Economic diversification</p> <p>Real economic growth in non-tourism related industries</p>	Average of 2 per cent growth over a 3-year period.	A more diversified economy is more resilient.	<p>Non-tourism industries grew at an estimated rate of 0.8 per cent in 2018/19, averaging 4.4 per cent over the three years to 2018/19.</p>  <table border="1"> <caption>Growth in non-tourism industries</caption> <thead> <tr> <th>Year</th> <th>Growth (%)</th> </tr> </thead> <tbody> <tr> <td>2016-17</td> <td>1.2</td> </tr> <tr> <td>2017-18</td> <td>11.0</td> </tr> <tr> <td>2018-19</td> <td>0.8</td> </tr> </tbody> </table>	Year	Growth (%)	2016-17	1.2	2017-18	11.0	2018-19	0.8				
Year	Growth (%)														
2016-17	1.2														
2017-18	11.0														
2018-19	0.8														
<p>Tourism diversification</p> <p>Growth in international visitors from markets other than New Zealand & Australia</p>	Reverse the declining trend.	A more diverse tourism market will increase our resilience to shocks in key markets.	<p>In 2019/20 the growth in visitor numbers from markets other than New Zealand & Australia fell by 25 per cent as a result of COVID-19, continuing a declining growth trend.</p>  <table border="1"> <caption>Growth in non-NZ & Aus visitors</caption> <thead> <tr> <th>Year</th> <th>Growth (%)</th> </tr> </thead> <tbody> <tr> <td>2017-18</td> <td>10</td> </tr> <tr> <td>2018-19</td> <td>-2</td> </tr> <tr> <td>2019-20</td> <td>-25</td> </tr> </tbody> </table>	Year	Growth (%)	2017-18	10	2018-19	-2	2019-20	-25				
Year	Growth (%)														
2017-18	10														
2018-19	-2														
2019-20	-25														
<p>Internet data costs</p> <p>\$ per gigabyte (GB) data</p>	Reduce costs over time.	Low cost data will help drive digital uptake by households and businesses and boost economic growth.	<p>In 2020/21 post-paid broadband data costs range from \$3.27 per GB for a 15GB monthly plan to \$0.60 per GB for a 500 GB monthly plan.</p>  <table border="1"> <caption>\$ per GB by Data allowance (GB)</caption> <thead> <tr> <th>Data allowance (GB)</th> <th>\$ per GB</th> </tr> </thead> <tbody> <tr> <td>15</td> <td>3.27</td> </tr> <tr> <td>80</td> <td>1.10</td> </tr> <tr> <td>150</td> <td>0.95</td> </tr> <tr> <td>250</td> <td>0.80</td> </tr> <tr> <td>500</td> <td>0.60</td> </tr> </tbody> </table>	Data allowance (GB)	\$ per GB	15	3.27	80	1.10	150	0.95	250	0.80	500	0.60
Data allowance (GB)	\$ per GB														
15	3.27														
80	1.10														
150	0.95														
250	0.80														
500	0.60														

Objective 2: Demonstrating progress

Indicator	Target	Rationale	Current status								
<p>Internet penetration rate</p> <p>Proportion of resident population using the internet</p>	Increase to 90 per cent by 2030.	Access to the internet at home is positively associated with improved education outcomes.	<p>The internet penetration rate in the Cook Islands has shown a rising trend since 2006, reaching an estimated 64 per cent in 2016.</p>  <table border="1"> <caption>Internet penetration rate</caption> <thead> <tr> <th>Year</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>20</td> </tr> <tr> <td>2011</td> <td>34</td> </tr> <tr> <td>2016</td> <td>64</td> </tr> </tbody> </table>	Year	Rate (%)	2006	20	2011	34	2016	64
Year	Rate (%)										
2006	20										
2011	34										
2016	64										
<p>Mobile penetration rate</p> <p>Proportion of resident population using cellular phones</p>	Increase to 90 per cent by 2030.	Measure of Cook Islands connectedness.	<p>The mobile phone penetration rate in the Cook Islands has shown a rising trend since 2006, reaching an estimated 79 per cent in 2016.</p>  <table border="1"> <caption>Mobile penetration rate</caption> <thead> <tr> <th>Year</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>44</td> </tr> <tr> <td>2011</td> <td>72</td> </tr> <tr> <td>2016</td> <td>79</td> </tr> </tbody> </table>	Year	Rate (%)	2006	44	2011	72	2016	79
Year	Rate (%)										
2006	44										
2011	72										
2016	79										
<p>Government productivity</p> <p>GDP to Government Operating Expenditure (GOE) ratio</p>	Improve Cook Islands Government productivity.	The value of economic activity for each taxpayer dollar spent is a rough measure of government productivity.	<p>The Cook Islands Government is challenged by providing services to its small and remote population. With the extra support provided for the ERP, the GDP to GOE ratio fell to an estimated 3.1 in 2019/20.</p>  <table border="1"> <caption>GDP to GOE Ratio</caption> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2017-18</td> <td>3.32</td> </tr> <tr> <td>2018-19</td> <td>3.48</td> </tr> <tr> <td>2019-20</td> <td>3.1</td> </tr> </tbody> </table>	Year	Ratio	2017-18	3.32	2018-19	3.48	2019-20	3.1
Year	Ratio										
2017-18	3.32										
2018-19	3.48										
2019-20	3.1										



Objective 3: Developing our people & culture

Building our human capital means investing in our most important resource.

Human capital is a key determinant of economic growth and living standards. As such developing our people and culture is a critical component of this Strategy – recognising that it is crucial for raising living standards and managing sustainability concerns. Key to building our human capital is providing clear career pathways.

Population – where are we and where are we going?

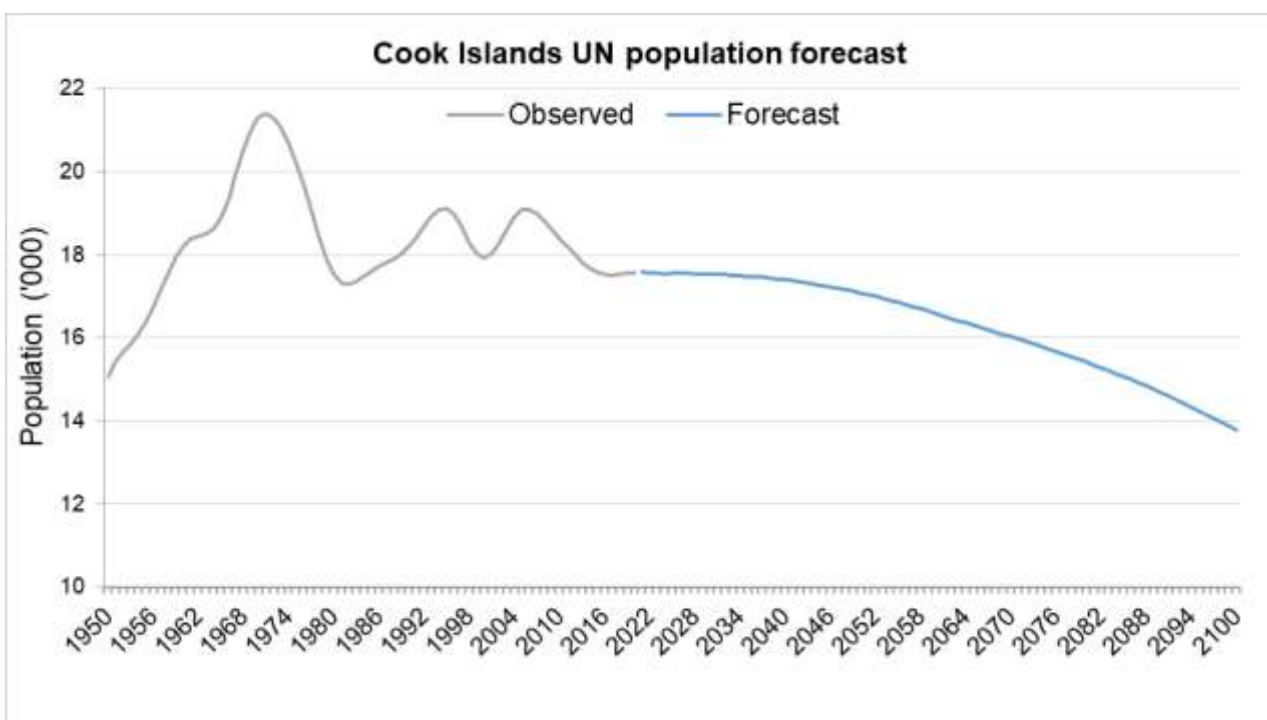
As outlined in [The Cook Islands and its economy](#), we have a declining, ageing population due to emigration and decreasing birth rates.

Population size has an impact on the economy's ability to expand. As the size of

the population decreases, each individual must produce more for the country to remain at the same overall level of economic activity. If the decline in population is not addressed, it will have an impact on growth going forward. This is often compounded by the need for working-age generations to care for those outside of the workforce (both retirees and those under working age), resulting in further losses of productive capacity.

Anecdotal evidence suggests that these population constraints are manifesting in the form of a skills gap, which impacts our productivity.

The impact of the COVID-19 pandemic on the population is yet to be made clear, but this may change the profile of the population as employment opportunities change, both in the Cook Islands and abroad.



Facing a skills gap

Skills gaps are often caused by two converging factors: a quantitative mismatch where not enough young people are educated and trained at certain levels or they emigrate to countries where they can earn higher wages, and a qualitative skills mismatch where employers do not find graduates employable even when they have the right qualifications on paper.¹⁹

Evidence suggests that the quantitative mismatch is the key issue in the Cook Islands labour market. The Labour Force Survey 2019 found that the national unemployment rate was 1.3 per cent, and 0.9 per cent in Rarotonga. The survey notes that there is a degree of labour underutilisation, but this is also low in Rarotonga, at 3.2 per cent, while somewhat higher in the Pa Enea, at 7.7 per cent.

A survey undertaken before the COVID-19 impact by MFEM, the [Labour Market Report](#) indicated that over 42 per cent of responding businesses had vacant positions, and of these, 46 per cent had been unfilled for more than 3 months. Furthermore, 21 per cent of businesses stated that there weren't enough people interested in their job vacancies, and 23 per cent cited a low number of applicants with the required skills. Survey respondents noted that the inability to find labour was forcing them to increase pressure on current workers, which in many cases was impacting on the quality of services delivered, and their ability to expand into offering new services.²⁰

To address these problems, we need to consider the causes of the quantitative mismatch. Anecdotal evidence suggests that these are:

- low population;

- under-utilisation of resources; and
- low number of skilled workers in country.

'We urgently need a national population plan for 30+ years to underpin our National Economic Plan.'

Participant, Economic Development Conference

To better inform policy decisions on this issue, the Government will conduct a comprehensive labour market survey (*Action 3.1*).

The quantitative mismatch: Increasing our population

As New Zealand citizens, Cook Islanders have ease of labour mobility with New Zealand and Australia. The 2018 New Zealand census estimates that approximately 80,000 people have Cook Islands heritage in New Zealand. This is in addition to approximately 22,000 people of Cook Islands heritage residing in Australia. This is a significant resource that remains largely untapped.

In order to increase the number of workers, and skills available to the Cook Islands economy, the Government will undertake a targeted approach to attract Cook Islanders to return and contribute to the economy.

This approach will involve two strategies; actively trying to attract Cook Islanders back to live in the Cook Islands and establishing a coordinated network of the diaspora to allow Cook Islanders abroad to more easily contribute to the economic development of the Cook Islands.

Attracting Cook Islanders back home

Further work needs to be undertaken to understand the reasons for emigration away from the Cook Islands. However, analysis undertaken by MFEM suggests that socio-economic factors, particularly economic stability in the Cook Islands is a factor.

Between 2017 and 2019 there was an increase in Cook Islands residents entering the country, with net emigration recording an average positive flow of 620 per year, peaking at 1,492 in 2019. This compares to the previous 20 years, where on average there was a net decrease of 950 per year. Analysis suggests that this trend is the result of strong growth in recent years. It is too early to determine what impact, if any, pension portability has had.

To increase the understanding of the drivers behind population movements, the Government will conduct a population study (*Action 3.2*). Using this, the Government will identify policy gaps, and develop a national population strategy (*Action 3.3*).

The current strategy to attract Cook Islanders residing overseas includes the ability for returnees to bring goods back into the country tax free. The Government will determine the need for additional initiatives in developing the population strategy.

Many Cook Islanders that have studied in New Zealand have outstanding student loans. Returning to the Cook Islands has an impact on a student's ability to repay the loan due to the relatively lower salaries and the added costs of repayment for international transactions. Attracting students back to the Cook Islands is critical for increasing our skills base. Furthermore, contributing to the cost of education attained by these students has a high return on investment.

The [Te Reinga Akataunga'anga](#) scholarship system administered by the Ministry of Education, includes the Government repaying \$5,000 of the loan for each year for recent graduates who returned after 2015 and remain in the Cook Islands.



To encourage students to return to live and work in the Pa Enua, the Government will increase the size of the scholarship from \$5,000 to \$10,000 for those students who return to the Pa Enua on a permanent basis (*Action 3.4*).

In addition, to also attract skilled Cook Islanders who graduated and gained valuable work experience, the Government will enhance the scholarship system by establishing a matched repayment scheme. For each year that the individual is in country, the Government will match repayments dollar for dollar to a capped amount per year. This will apply to all repayments, regardless of when the debt was acquired (*Action 3.5*).

A problem frequently identified for ex-students in the Cook Islands is the difficulty in repaying their student loans from the Cook Islands, in part due to international repayment fees. To make this easier, and reduce the debt burden, the Government will establish a payments system to process repayments to the New Zealand Inland Revenue Department more cost effectively (*Action 3.6*).

In addition to the strategies above, a number of actions have been identified to improve the quality of life in the Cook Islands, which will help attract more Cook Islanders, both skilled and unskilled,

home. Key initiatives include making it more attractive for young families to live in the Cook Islands, through increased parental leave and an improved childcare system, improved telecommunications, better quality infrastructure and more educational opportunities.

Creating stronger linkages with the diaspora

While emigration has come at a cost to the Cook Islands economy and contributed to the skills gap, engagement with the diaspora can limit these costs and mitigate the so-called “brain drain”. This is particularly the case in the Cook Islands, where many students move abroad to undertake tertiary studies and remain abroad, gaining valuable skills in the process.

With more than 100,000 Cook Islanders abroad it is clear that there is a strong resource waiting to be tapped. However, at present economic communication with the diaspora is ad-hoc.

To address this, the Government will establish a formal diaspora network,

collecting details of Cook Islanders living abroad to increase knowledge of the skills base and build stronger linkages. Using this, the Ministry of Foreign Affairs and Immigration will undertake frequent communication with the diaspora as the key point of contact for Government Agencies and the private sector with the diaspora. Their role will include promotion of activities, networks, available jobs and procurement in the Cook Islands (*Action 3.7*).

To help facilitate this, the Business Trade and Investment Board, in partnership with the Cook Islands Tourism Corporation, will develop a marketing strategy with the aim of attracting Cook Islanders abroad to invest in the Cook Islands (*Action 3.8*) to be distributed via the network.

The quantitative mismatch: Increasing our participation rate by supporting families in the workforce

Women play a vital role in the Cook Islands workforce, and subsequently in the economy. The 2019 Labour Force Survey shows that females make up the majority



of services workers (the largest employment sector), at 51.5 per cent

Despite this, female participation is lower than male participation by 14.5 percentage points and has decreased since the 2016 Census.

Much of the difference in participation rates is due to the Pa Eヌua, with participation rates for females of 54 per cent in the Southern Group and 52.1 per cent in the Northern Group. However, discrepancies still exist in Rarotonga, with female participation rates at 67 per cent versus 81.3 per cent for males.

This gap is an opportunity to increase the supply of labour by women, and subsequently, economic activity in the Cook Islands. While many people outside the workforce have lower levels of educational attainment, engaging this labour pool will still have a positive impact.

The Labour Force Survey 2019 points to an interesting trend regarding the participation of women in the labour force. Female participation peaks between the ages 25 and 34, at almost 90 percent, this then drops for the 35 to 44 age group,

before increasing again, forming an M shape.

When comparing this to participation rates by marital status, married women have a much lower participation rate than their counterparts, at 75.5 per cent in the 35 to 44 age group, compared to 87.5 per cent for those who have never been married.

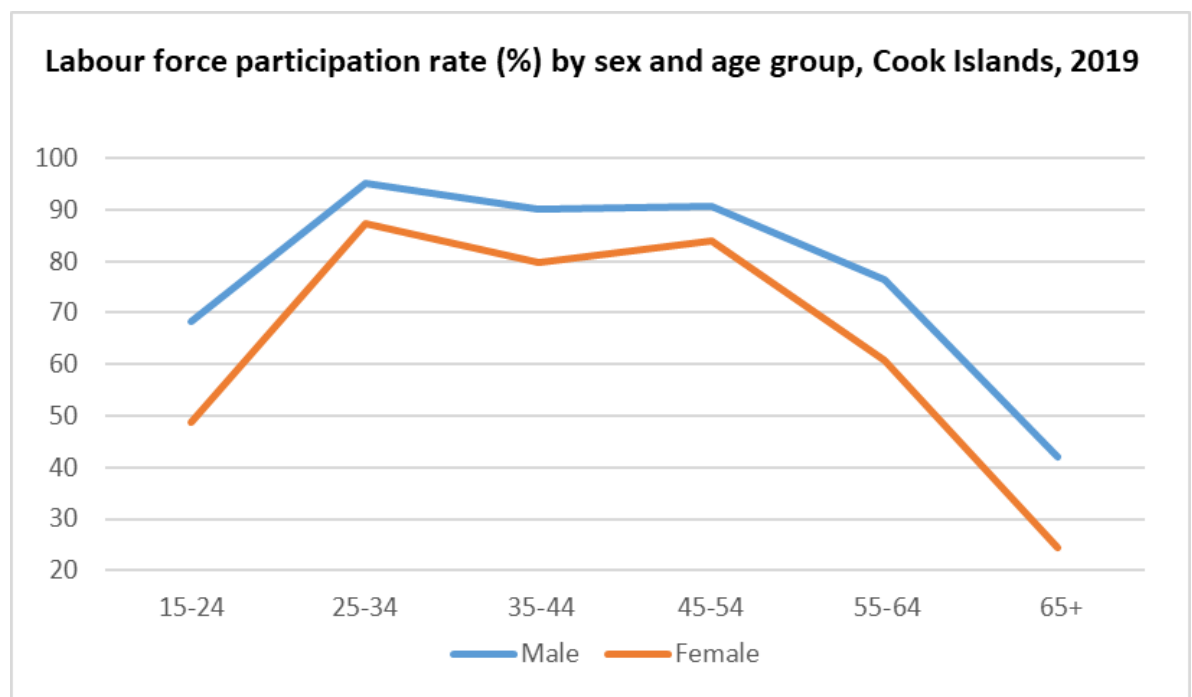
At the same time, an inverse relationship has developed between female participation, which increased significantly from 47 per cent in 1991 to 63.4 per cent

in 2019, and the birth rate, which has dropped from a crude birth rate of 25.4 births per 1,000 people in 1991 to 15.0 in 2018.

As such, it can be strongly argued that the impact of the opportunity cost of the time allocated to childbearing, has both encouraged families to have fewer children and encouraged women to leave the labour force after giving birth.

The best solution to address this challenge is through the use of paid parental leave, where both parents receive paid leave for a limited period of time to care for the child, thus reducing the

'There is insufficient access to childcare facilities.'
Participant, Economic Development Conference



opportunity cost of childbearing. In the Cook Islands, there is a legal requirement for employers to provide women with six weeks of maternity leave and males with five days. The Government funds female private sector workers at the minimum wage for the six week period, after which one of the parents either needs to take unpaid leave to care for the child or find adequate care.

In order to achieve higher participation rates, at least cost to the birth rate, and to support child development, the Government will increase paid maternity leave to 12 weeks from 6, and assess the success of this in 2025, with a view to increasing it to 18 weeks. It will also increase paternity leave requirements to two weeks (*Action 3.9*).

Childcare in and of itself is not supported by the Cook Islands Government, nor is it regulated, below the age of 3. There are some childcare facilities operating in this category, however as noted at the Economic Development Conference, these are generally insufficient in that they are costly and unregulated.

To ensure that parents have the ability to

return to the workforce post child-bearing, and to ensure that children are supported in a safe environment, the Government will:

- introduce regulation of childcare services to those operating for children under 3 (*Action 3.10*); and
- expand Government support for early childcare education to children between the ages of 0 and 3 (*Action 3.11*).

Finally, in the Cook Islands the school day for most pupils finishes at 2.30 pm, whilst the standard work day finishes at 4 pm. This creates challenges, both in terms of labour force participation and productivity, particularly for women. To address this, the Government will establish and resource after-school care options at all pre-schools and primary schools (*Action 3.12*).

These action items would allow more time for mothers with their newborn babies (which has a number of additional social and health benefits) and allow women to return to the workforce earlier, increasing female participation. It is estimated that increasing female participation to the



same level as that of males, 77.8 per cent, would have a direct economic impact of \$9 million.

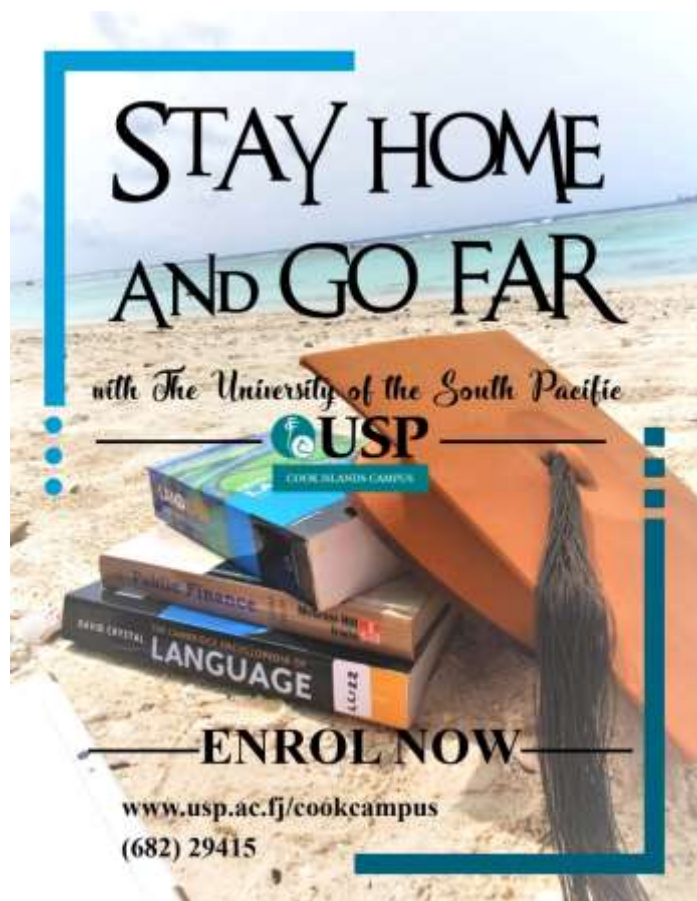
***The quantitative mismatch:
Increasing our skills base***

To address the shortage of skilled workers, the Government will focus on strengthening career pathways, providing increased support to both secondary and tertiary education.

While no quantitative evidence exists on the size of the skills gap and the specific sectors that it relates, job vacancy data from one source suggests that the roles most difficult to fill are managers, professionals and craft workers. Furthermore, of the people working in trades and trade-related fields, only around one-third have a certificate or diploma, suggesting a limited number of skills.

Domestic student loans

For many, there is no option to relocate to New Zealand to undertake university studies. This is particularly the case for individuals who decide that they would like to study later in life. While students do have the option of undertaking studies online through New Zealand universities,



many people prefer to learn in a classroom with other students. A domestic alternative is the University of the South Pacific in the Cook Islands; however, this requires students to pay their tuition fees upfront. To further support this domestic option, the Government will establish a domestic student loan scheme for studies in-country (*Action 3.13*). This will be further supported by student's access to the matched repayment scheme (see *Action 3.5*)

Trades

While academic qualifications are important, skilled tradespeople are also vital in any economy, and are in short-supply in Rarotonga and the Pa Enua. In many countries apprenticeship systems operate, which ensure that the theoretical skills are being learnt at the same time as the practical, and that apprentices have the ability to apply their new skills on a daily basis.



The Government will develop an apprenticeship scheme in the Cook Islands to be available for both students in Rarotonga and the Pa Enea. This will commence with a pilot in one industry and expand over a period of 3 years. Apprentices will be paid by their employer and will have the opportunity to access the domestic student loan scheme (*Action 3.14*).

It is often difficult to maintain tertiary education courses in the Pa Enea due to the small populations. The Cook Islands Tertiary Training Institute (CITTI) is currently addressing this by delivering block courses online with biannual tutor visits, working in partnership with local industry utilising on-island resources, and using on-island brokers.

In its Tertiary Strategy (see *Action 3.18*), the Government will assess whether the current approach could be strengthened by setting up training hubs in the Pa Enea.

For example, Atiu CITTI might specialise in carpentry, while Mauke CITTI might specialise in hospitality. The hub approach may provide better economies of scale and improve learning outcomes.

Qualitative skills mismatch – building on the quality of our schools

While the quantitative skills gap has had the biggest impact on the labour market, the qualitative element also needs to be considered, particularly when considering the future workforce. In the case of the Cook Islands, low unemployment rates tend to result in the employment of graduates, who have the qualifications, but lack certain skills to succeed in the role, impacting upon productivity.

The standard of primary and secondary education is high in the Cook Islands. However, to complement the push to diversify the economy, the Government



proposes to strengthen career pathways support provided by the education system.

Assessing the suitability of the education curriculum for the future of work

The Ministry of Education will undertake a review of the curriculum. The aim will be to strengthen the curriculum where necessary to produce job-ready students, particularly in those sectors, such as telecommunications and seabed minerals, that have not traditionally been areas of economic focus, but will drive growth in the future. This review will be informed by the labour market survey results (see [Action 3.1](#)), involve outreach to employers to determine how the skill sets of new entrants to the work force match the needs of the employer, and balance any potential changes in the broad range of goals in the Cook Islands' secondary education system ([Action 3.15](#)).

Currently, CITTI is collaborating with the Ministry of Education to deliver various NZQA accredited courses to school students, for example building, construction and electrical courses to Enuamanu School students on Atiu. In concert with the review of the education curriculum, an expansion of the current collaboration with CITTI will be explored, to strengthen trades career pathways for students. This will work in conjunction with the apprenticeship system ([Action 3.16](#)).

The Ministry of Education, in collaboration with CITTI, the University of the South

Pacific and other stakeholders, will develop a Tertiary Strategy. The aim will be to ensure that we have a tertiary system that is aligned with the demands of the labour market based on the survey (see [Action 3.1](#)) and is consistent with the outcomes of the school curriculum review to ensure clear career pathways ([Action 3.17](#)). This exercise will also include a review of the Government's investment in the upskilling of teachers and consider alternative opportunities to train new teachers to support the rapidly evolving education system.

Valuing the contribution of our culture, traditions and community values

Education is an effective tool for ensuring that our culture, traditions and community values are taught and passed down from generation to generation. To ensure that the education system fosters the continuity of the culture and traditions of the Cook Islands, the Government will assess this aspect of the school curriculum when undertaking its review (see [Action 3.15](#)).

The Ministry of Education will also explore expanding its current partnerships with local Non-Governmental Organisations (NGOs) and cultural practitioners, to augment the cultural curriculum through teaching children traditional skills and knowledge in areas such as, traditional arts, genealogical and environmental knowledge, and subsistence gardening and fishing ([Action 3.18](#)).



Ensuring a productive workforce

Health

The productivity of a nation is in part dependent on its standard of health. Studies have found that people with more health risk factors reported greater loss of productivity. This was most significant for individuals with

diabetes, in the form of higher absenteeism, and stress.

The Cook Islands has a high level of non-communicable diseases, with 64 per cent of the population aged 15 and over obese or severely obese. Obesity is a major risk factor in diseases such as cardiovascular disease and diabetes, highlighting the link between loss of productivity and health issues.

It is clear from these figures that the Cook Islands is at risk of a serious, drawn out health emergency if obesity and non-communicable diseases are not brought under control, which will not only impact upon people's quality of life, but also the economic sustainability of the Cook Islands.

To address this, the Government will continue to deliver the Cook Islands National Strategy for NCDs ([Action 3.19](#)).

Ageing population

The 2016 Census shows the ageing population of the Cook Islands, with the population below the age of 45 shrinking

since the 2011 census. While the Cook Islands provides some support to the elderly in the form of pension payments, and support for NGOs through the Social Impact Fund, there is no formal care provided to the elderly if that support is not available at home.

In some cases, family members are leaving the workforce to care for elderly relatives, which further reduces the available workforce that the country has to draw on and has an impact on the income earning ability of the family.

The Government notes that there is strong community interest and action being taken by the community to develop a retirement village.

In the Strategy, the Government will partner with the community to support a new aged care framework that best serve the interests of the community. The framework will consider both the residential aged care facility approach, and the provision of care in the home for the elderly ([Action 3.20](#)).



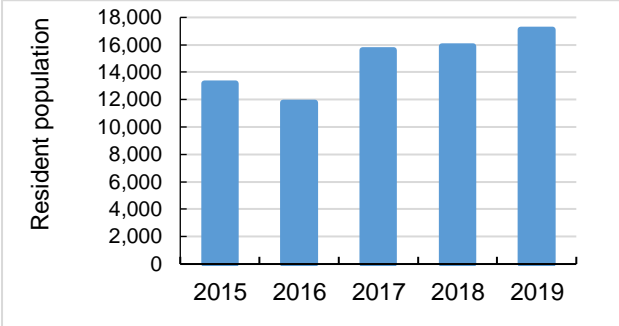
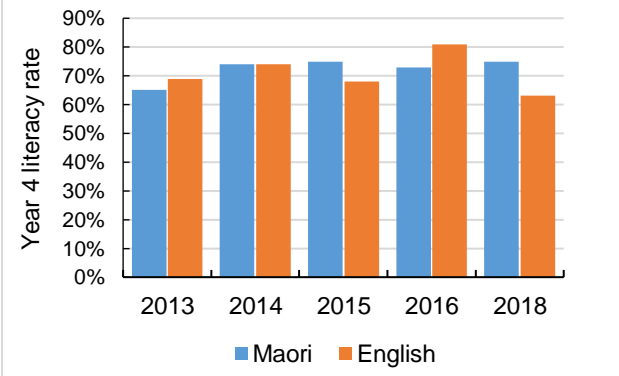
Objective 3: Actions

No.	Action	Lead Agency	Details	Indicative timing
3.1	Labour Market Survey	MFEM	Comprehensive survey of the Cook Islands labour market to identify gaps and opportunities	2021
3.2	Population study	OPM	Study to increase the understanding of the drivers behind population movements	2022
3.3	National Population Strategy	OPM	Research and development of a national population strategy for the Cook Islands	2022
3.4	Pa Enea scholarship scheme	MFEM/MOE	Increase the size of the scholarship from \$5,000 to \$10,000 for those students who return to the Pa Enea	2022
3.5	Extend & enhance scholarship scheme	MFEM/MOE	Expand the current scholarship system, including establishing a matched repayment scheme	2023
3.6	NZ IRD student loan repayment mechanism	MFEM/MOE	Establish a payments system, to process repayments to the New Zealand Inland Revenue Department	2023
3.7	Diaspora Network	MFAI	Establish a formal diaspora network for communication, including promotion of activities, available jobs and procurement in the Cook Islands	2021
3.8	Diaspora Investment Marketing Strategy	BTIB	Develop a marketing strategy with the aim of attracting Cook Islanders abroad to invest in the Cook Islands	2022
3.9	Parental leave	INTAFF	Increase paid maternity leave to 12 weeks from 6, and assess the success of this in 2025, with a view to increasing it to 18 weeks. Increase paid paternity leave to 2 weeks	2022
3.10	Childcare services regulation	INTAFF/ MOE	Introduce regulation of childcare services to those operating for children under 3	2023
3.11	Support for early childcare education	MOE/ INTAFF	Expand Government support for early childcare education to children between the ages of 0 and 3	2023

Objective 3: Actions

No.	Action	Lead Agency	Details	Indicative timing
3.12	After-school care	MOE	Establish and resource after-school care options at all pre-schools and primary schools	2023
3.13	Domestic student loans scheme	MFEM/MOE	Establish a domestic student loan scheme for studies in-country	2022
3.14	Apprenticeship Scheme	CITTI/ MOE/MFEM	Develop a pilot apprenticeship scheme in the Cook Islands	2022
3.15	Curriculum review	MOE	Strengthen and enhance curriculum as necessary to meet future job requirements	2023
3.16	Schools/ CITTI collaboration	MOE/CITTI	Strengthen collaboration between schools and CITTI	2023
3.17	Tertiary Strategy	MOE/CITTI/USP	Develop a strategy to ensure the tertiary education system is responsive to demands of the labour market, structured efficiently and maximises student outcomes, including a review of teacher training	2022
3.18	Cultural education support	MOE/MCD	Expand partnerships with local NGOs to work with schools to foster continuity of traditional knowledge	2023
3.19	National NCD Strategy	TMO	Revise and implement the national NCD Strategy	Ongoing
3.20	Aged Care framework	INTAFF	Develop a framework, in partnership with the community, to deliver an aged-care support service	2022

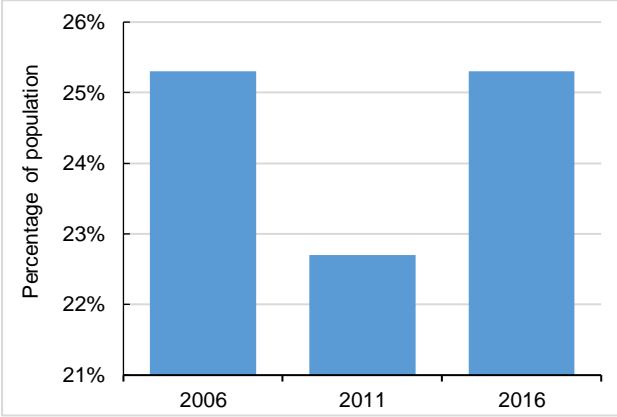
Objective 3: Demonstrating progress

Indicator	Target	Rationale	Current status																		
<p>Population</p> <p>Cook Islands estimated resident population</p>	Increase the Cook Islands population.	Population is a key driver of the Cook Islands economy.	<p>The Cook Islands resident population was estimated at 17,100 people in 2019.</p>  <table border="1"> <caption>Resident population (2015-2019)</caption> <thead> <tr> <th>Year</th> <th>Resident population</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>13,500</td> </tr> <tr> <td>2016</td> <td>12,000</td> </tr> <tr> <td>2017</td> <td>15,500</td> </tr> <tr> <td>2018</td> <td>16,000</td> </tr> <tr> <td>2019</td> <td>17,100</td> </tr> </tbody> </table>	Year	Resident population	2015	13,500	2016	12,000	2017	15,500	2018	16,000	2019	17,100						
Year	Resident population																				
2015	13,500																				
2016	12,000																				
2017	15,500																				
2018	16,000																				
2019	17,100																				
<p>Female labour force participation</p> <p>Participation rate</p>	Increase to 70 per cent by 2030.	Increasing female participation will both empower women and girls, and increase economic activity.	<p>In 2020, the female participation rate in the Cook Islands was estimated at 67 per cent, lower than the male rate of 78 per cent.</p>  <table border="1"> <caption>Female participation rate (2011, 2016, 2020)</caption> <thead> <tr> <th>Year</th> <th>Female participation rate</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>64.5%</td> </tr> <tr> <td>2016</td> <td>63.5%</td> </tr> <tr> <td>2020</td> <td>67%</td> </tr> </tbody> </table>	Year	Female participation rate	2011	64.5%	2016	63.5%	2020	67%										
Year	Female participation rate																				
2011	64.5%																				
2016	63.5%																				
2020	67%																				
<p>Primary education – literacy</p> <p>National Year 4 & 8 English & Maori literacy rates</p>	Match or beat Ministry of Education targets.	Primary school outcomes underpin all subsequent educational and employment achievements.	<p>In 2018 Year 4 Maori and English literacy rates were estimated at 75 per cent and 63 per cent, respectively. Year 8 rates Maori and English literacy rates were 49 per cent and 67 per cent.</p>  <table border="1"> <caption>Year 4 literacy rates (2013-2018)</caption> <thead> <tr> <th>Year</th> <th>Maori</th> <th>English</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>65%</td> <td>68%</td> </tr> <tr> <td>2014</td> <td>73%</td> <td>73%</td> </tr> <tr> <td>2015</td> <td>74%</td> <td>68%</td> </tr> <tr> <td>2016</td> <td>72%</td> <td>80%</td> </tr> <tr> <td>2018</td> <td>75%</td> <td>63%</td> </tr> </tbody> </table>	Year	Maori	English	2013	65%	68%	2014	73%	73%	2015	74%	68%	2016	72%	80%	2018	75%	63%
Year	Maori	English																			
2013	65%	68%																			
2014	73%	73%																			
2015	74%	68%																			
2016	72%	80%																			
2018	75%	63%																			

Objective 3: Demonstrating progress

Indicator	Target	Rationale	Current status																								
<p>Primary education – numeracy</p> <p>National Year 3 & 8 numeracy rates</p>	Match or beat Ministry of Education targets.	Primary school outcomes underpin all subsequent educational and employment achievements.	<p>In 2018 the national Year 3 numeracy rate was estimated at 68 per cent, with Year 8 estimated at 40 per cent.</p> <table border="1"> <caption>National numeracy rates (2013-2018)</caption> <thead> <tr> <th>Year</th> <th>Year 3 (%)</th> <th>Year 8 (%)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>75</td> <td>33</td> </tr> <tr> <td>2014</td> <td>69</td> <td>40</td> </tr> <tr> <td>2015</td> <td>68</td> <td>31</td> </tr> <tr> <td>2016</td> <td>72</td> <td>38</td> </tr> <tr> <td>2017</td> <td>75</td> <td>35</td> </tr> <tr> <td>2018</td> <td>68</td> <td>40</td> </tr> </tbody> </table>	Year	Year 3 (%)	Year 8 (%)	2013	75	33	2014	69	40	2015	68	31	2016	72	38	2017	75	35	2018	68	40			
Year	Year 3 (%)	Year 8 (%)																									
2013	75	33																									
2014	69	40																									
2015	68	31																									
2016	72	38																									
2017	75	35																									
2018	68	40																									
<p>Secondary education</p> <p>NCEA national achievement by enrolment</p>	Match or beat Ministry of Education targets.	Students who attain NCEA are more likely to go on to further study or training and lifelong learning.	<p>In 2018, the NCEA rates for Levels 1 and 2 beat the MOE target of 70 per cent, with Level 3 falling just short.</p> <table border="1"> <caption>National achievement rates (2013-2018)</caption> <thead> <tr> <th>Year</th> <th>NCEA Level 1 (%)</th> <th>NCEA Level 2 (%)</th> <th>NCEA Level 3 (%)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>85</td> <td>75</td> <td>78</td> </tr> <tr> <td>2014</td> <td>83</td> <td>88</td> <td>80</td> </tr> <tr> <td>2015</td> <td>82</td> <td>78</td> <td>85</td> </tr> <tr> <td>2016</td> <td>85</td> <td>90</td> <td>85</td> </tr> <tr> <td>2018</td> <td>78</td> <td>75</td> <td>65</td> </tr> </tbody> </table>	Year	NCEA Level 1 (%)	NCEA Level 2 (%)	NCEA Level 3 (%)	2013	85	75	78	2014	83	88	80	2015	82	78	85	2016	85	90	85	2018	78	75	65
Year	NCEA Level 1 (%)	NCEA Level 2 (%)	NCEA Level 3 (%)																								
2013	85	75	78																								
2014	83	88	80																								
2015	82	78	85																								
2016	85	90	85																								
2018	78	75	65																								
<p>Vocational qualifications</p> <p>Number of CITTI completions</p>	Increase the annual number of completions.	An increase in the number of people with industry relevant skills will remove a critical constraint and contribute to future economic growth in the Cook Islands.	<p>In 2019, there were 117 CITTI completions, continuing a declining trend since 2016.</p> <table border="1"> <caption>No. completions (2016-2019)</caption> <thead> <tr> <th>Year</th> <th>No. completions</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>475</td> </tr> <tr> <td>2017</td> <td>320</td> </tr> <tr> <td>2018</td> <td>270</td> </tr> <tr> <td>2019</td> <td>117</td> </tr> </tbody> </table>	Year	No. completions	2016	475	2017	320	2018	270	2019	117														
Year	No. completions																										
2016	475																										
2017	320																										
2018	270																										
2019	117																										

Objective 3: Demonstrating progress

Indicator	Target	Rationale	Current status								
<p>Post-secondary education</p> <p>Percentage of population with vocational or tertiary qualifications</p>	<p>Increase to 30 per cent by 2030.</p>	<p>Post-secondary education (vocational or tertiary) will increase the skills base of the Cook Islands and the earning potential of individuals.</p>	<p>In 2016, 25 per cent of the Cook Islands population had vocational or tertiary qualifications.</p>  <table border="1"> <caption>Data for Post-secondary Education Bar Chart</caption> <thead> <tr> <th>Year</th> <th>Percentage of population</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>25.3%</td> </tr> <tr> <td>2011</td> <td>22.7%</td> </tr> <tr> <td>2016</td> <td>25.3%</td> </tr> </tbody> </table>	Year	Percentage of population	2006	25.3%	2011	22.7%	2016	25.3%
Year	Percentage of population										
2006	25.3%										
2011	22.7%										
2016	25.3%										



Objective 4: Investing in our Islands

Investment in the Cook Islands, both public and private, stimulates demand for goods and services and builds the future capacity of local businesses.

Introduction

While direct Government investment in critical national infrastructure and investment facilitation is vital, it is private investment in commercial enterprises that is the key to driving future sustainable economic growth.

Investment in the Cook Islands will increase by:

- maintaining a stable macroeconomic environment;
- building and maintaining cost-effective strategic economic infrastructure;
- maintaining an attractive and competitive business environment;
- broadening the economy by growing our population and building on our comparative advantages; and
- encouraging greater local content in business and industry.

Other critical factors are an efficient and effective government administration and competitive markets and regulation of monopolies. These are considered in [Objective 2: Transforming our economy](#).

Stable macroeconomic setting

A stable macroeconomic setting requires maintaining fiscal discipline, keeping national debt within a sustainable level

and limiting diversion of resources away from the private sector.

The Government launched its [Medium-term Fiscal Strategy](#) (MTFS) in December 2018 and first applied it in the 2019/20 Budget.²¹ The MTFS is designed to deliver fiscally sustainable budgets by:

- setting fiscal rules on debt, fiscal balances, expenditure growth and cash reserves;
- establishing reserve funds (Stabilisation Account and Sovereign Wealth Fund) to save excess revenues for periods of economic downturn or natural disasters, and for future generations; and
- introducing a four-year expenditure profile that is guided by the economic context to minimise private sector crowding out.

The International Monetary Fund's 2020 report on the Cook Islands macroeconomic, financial and structural policies, noted that the 'MTFS appropriately accumulates resources to allow for a countercyclical fiscal policy response in case downside risks materialise.'²²

The [2020/21 Budget](#), the second budget since the introduction of the MTFS, re-confirms the Government's commitment to sound fiscal and economic management, within the context of a severe global and domestic economic shock.

The advent of COVID-19 and the unprecedented scale of the subsequent economic shock has, with the exception of

the net debt to GDP ratio, necessitated the Government's departure from the MTFS fiscal rules. This departure is temporary, and allows Government to draw on financial reserves, including the Stabilisation Account, to strengthen its response to the economic crisis. At the same time, by adhering to the net debt rule, the Government is ensuring its commitment to long-term fiscal sustainability. This is in-line with the stated aims of the MTFS, which emphasises the need for counter-cyclical fiscal responses.²³

In this Strategy, the Government will continue to implement the MTFS as its primary macroeconomic management measure (*Action 4.1*). The Government will also undertake the necessary policy and legislative work required to establish a Sovereign Wealth Fund to manage future revenues expected from seabed minerals harvesting, for use by future generations (*Action 4.2*).

As a measure to further strengthen the management of public finances, the Government will introduce new policies under the *Ministry of Finance and Economic Management Act 1995-96*



(MFEM Act), such as the Budget Policy and Trading Revenue Policy (*Action 4.3*).

Investing in essential infrastructure

Well maintained, cost effective essential infrastructure – roads, transport services, telecommunications, electricity, water, sanitation and solid waste services to name a few – underpin the ability of the private sector to run businesses.

Driven by a number of major projects, investment in the Cook Islands has increased significantly in recent years, with total capital expenditure of \$60 million in 2019/20 by the Government and its donor partners. This is budgeted to rise to about \$80 million in 2020/21.²⁴

Despite this substantial investment program, and in line with other emerging economies, critical infrastructure constraints remain. The challenge is to identify and resolve these infrastructure constraints to ensure that the Cook Islands economy remains on track and business and industry opportunities are not lost.

The Government's continued commitment to investment in cost-effective infrastructure is demonstrated below.

Roads and drainage

The standard of the road and drainage network in Rarotonga has been a matter of concern for some time.

The Government has a number of roads and drainage initiatives in place, including Infrastructure Cook Islands' (ICI) [National Roads and Road Drainage Policy 2017](#) and the new [Infrastructure Act 2019](#).²⁵ In addition, the Government has recently increased expenditure available for roads, drainage and bridges in Rarotonga.



This continued financial commitment, along with improvements in ICI's asset management and contracting practices, will bring the Rarotonga road network to an appropriate standard.

Airports

The Rarotonga International Airport, managed by the [Airport Authority Cook Islands](#) along with Aitutaki Airport, is essential to the Cook Islands and its economy, as it is the key international gateway for tourist arrivals.

In recognition of its vital role, the Airport Authority has developed a 2040 Master Plan that presents a future development pathway for the key aeronautical facilities of the runway, apron and terminal that provides for efficient, flexible and future proofed facilities.

The Masterplan includes a number of related capital projects that will be

assessed for funding by the Government through the budget process (*Action 4.4*). Action has already commenced this year, with \$6 million to be spent on runway repairs.

Recognising the vital role of airlinks to the Pa Enua, the Government embarked on a multi-year, \$15.7 million Pa Enua Air Infrastructure Improvement Programme in the 2020/21 Budget.²⁶

Electricity

An affordable and reliable energy supply is a critical business input. The Cook Islands has embarked on an ambitious renewable energy program since 2012 with the goal of providing affordable, reliable and sustainable energy to power our future.

While the Government has made substantial progress towards its 100 per cent renewable energy target, domestic and commercial electricity costs remain relatively high in Rarotonga and there are concerns about the sustainability of the investments made in the Pa Enua.²⁷ These matters and the Government's plans to deal with them are discussed in [Objective 5: Greening our economy](#).

Water supply

Rarotonga currently does not have a reliable potable reticulated water supply. A reliable supply of water to households and businesses that is safe to drink is essential for public health protection and economic development.

The Government and its donor partners have made a substantial investment in upgrading the water network in Rarotonga



through the [Te Mato Vai](#) project to provide a reliable water supply that is safe to drink. The Government has also established a new water utility, the [To Tatou Vai Authority](#), to run the network.

The focus in this Strategy is the completion of the water network upgrade, including Stage 2 remediation, water treatment works and meter installation ([Action 4.5](#)).

The To Tatou Vai Authority Bill 2020, which was tabled in Parliament in July 2020, will allow To Tatou Vai to levy tariffs. Following the extension of, the Competition and Regulatory Authority's remit to regulate the water and sanitation sector (see [Action 2.2](#)), the Authority will undertake a water tariff review ([Action 4.6](#)).

Sanitation

Rarotonga homes and businesses currently rely on onsite, privately-owned and maintained septic tank systems, which are contributing to deteriorating water quality in Rarotonga's lagoons, and Muri in particular.

The Government and its major donor partner New Zealand through the [Mei Te Vai Ki Te Vai](#) project have undertaken substantial research and consultation work to identify solutions. The Government's sanitation plans are discussed in [Objective 5: Greening our economy](#).

Solid waste management

The Cook Islands currently has no regular mechanism to export recyclable and hazardous packaging, and domestic dwellings are not responsible for the cost of general waste management. The Rarotonga and a number of Pa Enua landfills are also nearing capacity.

The Government's plans to improve waste management are discussed in [Objective 5: Greening our economy](#).

Telecommunications

The Government, supported by a \$15 million grant from New Zealand, has invested in the Manatua Cable, an undersea cable connecting the Cook Islands to the world with faster and much greater internet bandwidth. The cable and the Government's other plans for the telecommunications sector are discussed in [Objective 2: Transforming our Economy](#).

Pa Enua infrastructure

The Pa Enua faces a wide range of infrastructure deficits, and capital project delivery issues, which are discussed in [Objective 1: Improving equity & access for all](#).



Major project coordination

MFEM's new [Major Projects and Procurement Support \(MPPS\) Division](#) will allow for better coordination and management of major projects to ensure that projects are delivered in a timely and cost-effective manner. MPPS is currently providing support to the airport infrastructure project.

The MPPS Division is also responsible for a New Zealand Government trust fund aimed at investing in physical infrastructure to deliver essential services to Cook Islanders and supporting the development of the Cook Islands infrastructure sector. The first project being funded from this trust fund is the airport infrastructure project (*Action 4.7*).²⁸

Maintaining an attractive business environment

Investors look at a range of factors when deciding whether to invest in a particular location. These include the general business environment (foreign investment framework, taxes, regulations), potential profitability, market opportunities and availability, security and cost of

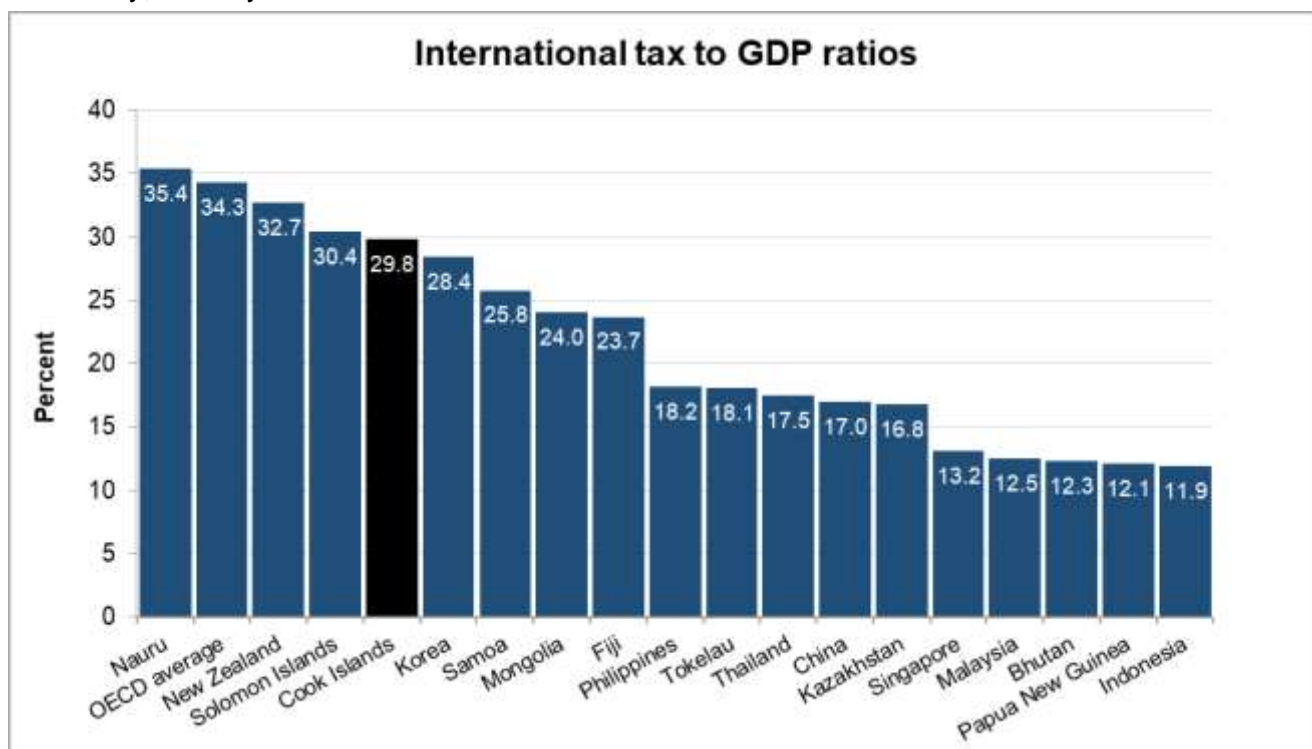
infrastructure, secure property rights and skilled labour availability, among others.

Generally, market forces dictate that investment follows where best returns are to be found.

Attracting foreign investment

The global evidence on foreign investment is clear: it is a source of long-term investment capital, creates jobs, transfers technology, fosters competition and also contributes to raising productivity and income growth in host countries. The International Monetary Fund's 2020 report on the Cook Island's macroeconomic, financial and structural policies, noted that 'improving the business climate, especially for foreign direct investment will also help diversify growth and make it more sustainable.'²⁹

The [Business Trade and Investment Board](#) (BTIB) is responsible for the promotion and monitoring of foreign investment in the Cook Islands under the auspices of the [Development Investment Act 1995-96](#) and the [Investment Code 2003](#). The Investment Code reserves most economic sectors for Cook Islanders.



The Asian Development Bank has criticised the Cook Islands regime, characterising it as unwelcoming, ‘slow, discretionary, dependent on outdated laws, and discourage[ing] foreign investment’.³⁰

The International Monetary Fund recommends changes, noting ‘reforming the investment code to open up traditionally closed areas of the economy to foreign investment could help lead to diversification of economic activity’.³¹

The Government will review the current framework, balancing the benefits of more foreign investment with community views (*Action 4.8*).

Competitive tax environment

The Cook Islands has an internationally competitive tax regime. The Asian Development Bank notes that tax rates on personal and company income are simple and low.³² The corporate tax rate is 20 per cent for resident companies and 28 per cent for non-resident companies. The Cook Islands also has a broad-based value added tax, which was increased from 12.5 to 15 per cent in April 2014 following the 2013 tax review.

In 2018, the Cook Islands tax to GDP ratio was 29.8 per cent compared to the OECD average of 34.3 per cent, and lower than New Zealand (32.7 per cent).³³ Taxes on goods and services were the main source of tax revenue in the Cook Islands, principally VAT.

A recent tax review undertaken by the International Monetary Fund (IMF) found that the Cook Islands tax system is relatively sound.³⁴ The report noted that there is benefit in keeping the system stable, without too many changes, but did identify some areas for further reform.

Informed by the IMF review, the Government will develop a new Revenue Strategy, taking into consideration all sources of revenue – tax and non-tax. The focus of the Revenue Strategy will be on ensuring that the Cook Islands has an efficient, equitable and internationally competitive taxation system (*Action 4.9*).

Supportive business regulations

The Government has recently taken steps to improve the business environment through a package of legislative reforms including the new *Companies Act 2017* and *Personal Property Securities Act 2017*. The reforms have been accompanied by a new [online registry](#) launched in December 2019, comprising registries for Companies, Incorporated Societies and Personal Property Securities.

Together, the reforms will make it easier to open and close a business and will help increase access to credit by making it easier to pledge movable assets to stand surety for a loan.

BTIB business support

The Business Trade and Investment Board (BTIB) provides the following direct business support services to Cook Islands businesses:

- Trade and marketing support to increase exports and import substitution opportunities.
- Business training and mentoring such as tax, costs of running a business and financial literacy.
- Information on how to start a new business.
- Provision of targeted low-interest small loans to support indigenous business development across the Cook Islands:
 - general business support fund;
 - vanilla enterprise loans;
 - agricultural development fund; and
 - sustainable export fund.

Under the Strategy, the Government plans to extend the functions of the Companies online registry to all businesses. Any business operating in the Cook Islands, regardless of its structure (e.g. company, partnership, sole trader etc.), will be required to apply for a Cook Islands Business Number (CIBN) (*Action 4.10*).

The CIBN will provide a separate, unique identification number for every business. The extended online registry will also maintain a business name register. In addition to providing administrative advantages for Government, this initiative will benefit businesses by providing a single, more seamless basis for accessing Government services.

Business Info eShop

In its 2015 report, the ADB noted the lack of accessible information describing the different regulatory requirements with which a business must comply.³⁵

BTIB currently provides a limited range of information on its website concerning the registration and establishment of [new businesses](#).

The Government will extend and expand the scope and content of the information to provide an online, user-friendly one-stop Business Info eShop for businesses, investors (local and foreign), and the general public (*Action 4.11*).

The Info eShop will provide plain language stepwise guides that identify and describe requirements to comply with key business regulatory processes, including general business registration, foreign enterprise registration, building approvals, immigration, taxation and employment requirements. This will provide a more efficient and cheaper way of sharing information and help lower the transactions costs associated with



starting, operating, and closing a business.

Chamber of Commerce business support

The [Cook Islands Chamber of Commerce](#) is the lead industry organisation representing private sector interests in the Cook Islands. The Chamber also provides business support in partnership with [Business Link Pacific](#) (BLP), an MFAT-funded program that connects small and medium sized businesses in the Pacific to local advisory services.

The Government will provide support to the Chamber, alongside BLP, to provide a structured mentoring and assistance role for Cook Islands business start-ups (*Action 4.12*).

Access to finance

The Cook Islands does not have a central bank and uses the New Zealand Dollar as its currency. The domestic banking sector is served by three banks: ANZ, Bank of the Cook Islands and Bank of the South Pacific.

Banking is a crucial part of any economy and economic growth relies on an efficient and effective banking financial system.

The domestic banking sector is made up of two main enterprises:

- financial intermediation – taking of deposits and then lending them to other parties for investment purposes; and
- facilitating payments – enabling the efficient transfer of money between people and businesses to facilitate the exchange of goods and services.

Although total lending and lending to the commercial sector has been declining since 2016, the Cook Islands’ domestic banking sector performs relatively well, with a steadily declining non-performing

loan ratio.³⁶ There are, however, a number of concerns and constraining factors.

Intermediation

Lending rates and the spread between the cost of deposits and lending rates is high compared to New Zealand.

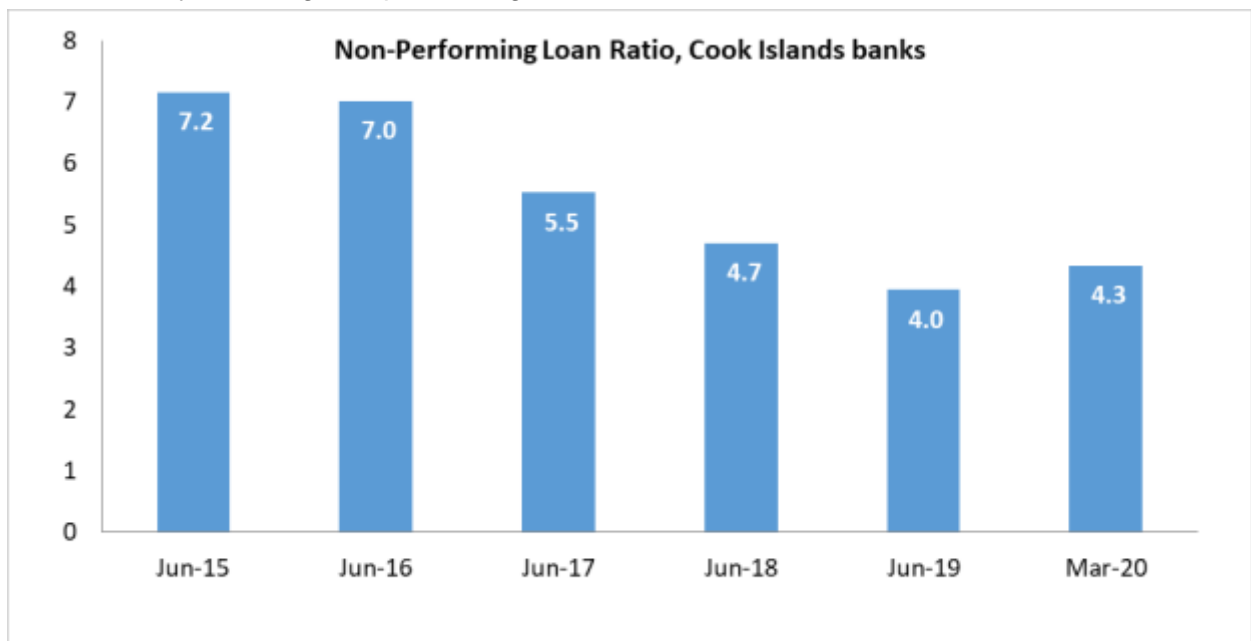
For example, the weighted average term deposit rate in New Zealand of 2.79 per cent in September 2019 compares to the highest rate of 3.25 per cent in the Cook Islands. The weighted average home loan rate in New Zealand of 5.26 per cent

compares to the lowest Cook Islands rate of 8.25 per cent.

This differential is due to a number of factors.

First, the small scale of the domestic banking sector means it is a high cost model. The second concerns shortcomings in the collateral framework. The most critical is the lengthy, complex and expensive process required to apply land leases as mortgage security. This issue is exacerbated by the lack of buyers of property leases in a market restricted to residents and approved business applicants, which makes it more difficult

‘We are interested in starting businesses, but bank interest rates are too high – 17.5 per cent for small business.’
Participant, Atiu consultation



for banks to redeem loan security in the event of default.

The Government introduced two key business banking initiatives under its COVID-19 Economic Response Plan: the [Business Continuity Credit Facility](#) (BCCF) and the [Business Growth Loan Program](#) (BGLP). The former provides fast, low cost credit at 3 per cent interest for cashflow support, while the latter provides investment loans for business growth at a target interest rate of 5-6 per cent per year.

The Government acknowledges that the high cost of business finance compared to New Zealand and elsewhere is likely to be a constraint on local business investment. The Economic Response Plan banking initiatives are a temporary, proportionate and measured response to the COVID-19 crisis, and are not a sustainable long-term solution. BCCF applications closed on 30 September 2020, while BGLP loans are required to be drawn down by 30 June 2021.

Under the Strategy, the Government will establish a Banking Taskforce to set the future direction of the domestic banking sector in the Cook Islands. As part of its remit, the taskforce will explore sustainable, structurally sound long-term alternatives to bring down the cost of credit (*Action 4.13*).



Access to personal loans has improved following the establishment of the Personal Property Securities Register, which will make it easier to pledge movable assets to stand surety for a loan. The establishment of the [Cook Islands Credit Bureau](#) which provides an additional formal mechanism for assessing borrower risk, is also contributing to more efficient lending.

The Asian Development Bank has identified the lack of bankruptcy provisions in the Cook Islands as contributing to the weak collateral framework.³⁷



The Government will assess options to introduce bankruptcy laws that provide an organised way to deal with a debtor’s assets if they can no longer pay back their loans, and provide ways to allow financially troubled businesses to restructure their finances (*Action 4.14*).

The [Business Trade and Investment Board](#) (BTIB) administers, through the Bank of the Cook Islands, a revolving fund that provides low-interest [Small Business Loans](#) to Cook Islanders to support business development across the Cook Islands. The loans are generally unsecured, up to a maximum of \$10,000 and are lent at a 5 per cent interest rate over a maximum 2-year term.

The Government will consider expanding the scale of the revolving fund in order to provide better start-up finance support Pa Enea businesses (see *Action 1.16*). The Government will consider the impact of any scaling up of the BTIB revolving fund on private sector finance providers.

Competition

Competition in the banking sector is limited to three full-service retail commercial banks. To limit any potential for anti-competitive behaviour, the Government will request the Financial

Supervisory Commission undertake a review (see *Action 2.4*).

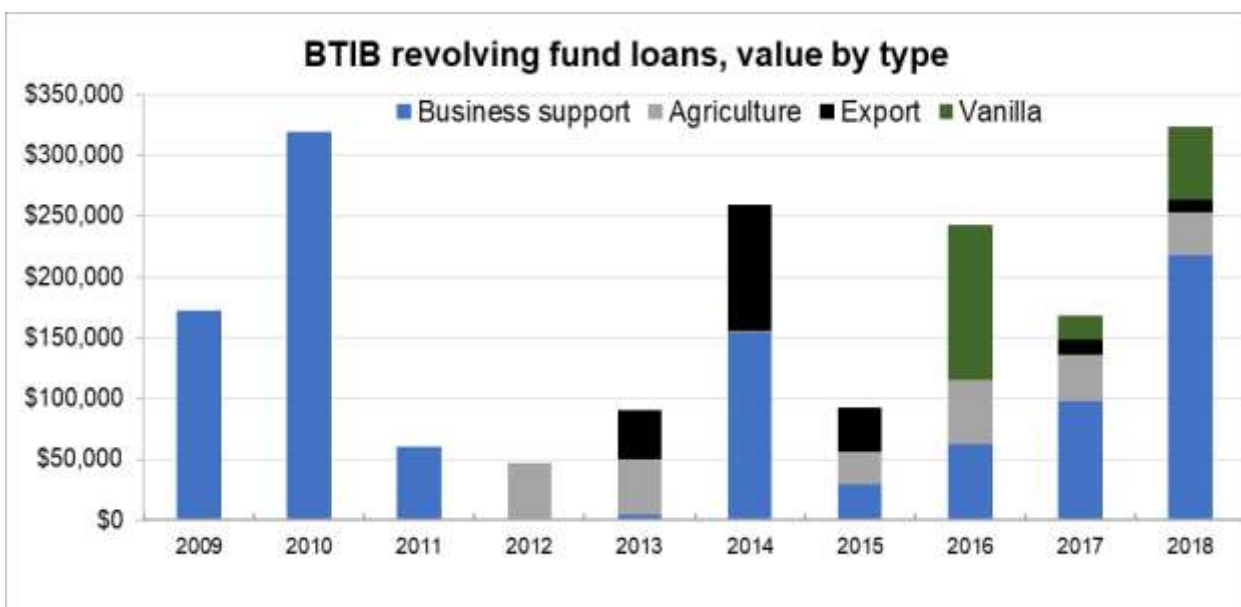
Payment systems

The current payment and reconciliation system in the Cook Islands is highly inefficient. There is no real-time system for interbank clearing and settlement of electronic payments, and no interbank interoperability across payment infrastructure.

While there have been some improvements, the system is still largely manually operated. This raises the cost of payment transactions and prevents the country from taking advantage of new technologies. The Banking Taskforce will review the case for the establishment of a payments system as part of its remit (see *Action 4.13*)

Consumer protection

The COVID-19 pandemic and ensuing travel restrictions have highlighted the issue of consumer protection in the tourism industry, particularly in the case of prepaid holidays. The Government will consider options for better consumer protection, including the benefits of requiring travel businesses to use imprest accounts to safeguard prepayments (*Action 4.15*).



Broadening our economic base

Growing our population

Population size is a key driver of the Cook Islands economy, primarily through demand for goods and services. A larger population will also expand the relative size of the Cook Islands' domestic economy, in industries such as Education, Professional and administrative services, Real estate and the domestic portion of the Trade industry, resulting in reduced volatility.

More detail on the Government's plans to deal with population matters can be found in [Objective 3: Developing our people & culture](#).

Building on our economic strengths

The Cook Islands has a comparative advantage in tourism — no crowds, natural and unspoilt beauty, strong culture and friendly people. Tourism is driving growth, and this is unlikely to change over the next 10 years, nor are the economic risks associated with such heavy reliance on one industry likely to decrease.

Building on what you are good at — your comparative advantages — is an effective way to diversify.

Improving product quality

The Cook Islands Tourism Corporation, in partnership with the tourism industry, will be launching a new accreditation scheme ([Action 4.16](#)). The Cook Islands Tourism Business Partnership Program, a restructured tourism accreditation scheme that is inclusive, adds value and integrative, will improve the quality of products and services offered by the Cook Islands tourism industry.

Diversifying the tourism market

The tourism market is not homogenous and diversifying into different market segments is one way of reducing overall risk. One example is attracting high value tourists out of season and independent high value travellers looking for unique, remote cultural experiences.



The Government is taking some direct measures in this area, including the Air New Zealand airline underwrite between Rarotonga and Sydney and Los Angeles, at a cost of \$12-13 million per year.

A private sector example is [Air Rarotonga's](#) air and accommodation packages to Mangaia and Mauke.

Under the Strategy, the Government will undertake a review of its airline underwrite initiative to ensure that this is the best way to support tourism growth (*Action 4.17*).

Expanding local servicing of the tourism market

Resorts in the Cook Islands, especially on Rarotonga and Aitutaki, require a regular supply of good quality produce to feed their guests. This supply is largely being met through imports at present. This is a potential opportunity for local agricultural growers, either individually or collectively, with facilitation from the Government, to better service this ready market.

The Ministry of Agriculture's [National Agricultural Policy 2017-2021](#) has a



Air New Zealand subsidy

The Cook Islands Government underwrites Air New Zealand to provide weekly direct long-haul return flights between Rarotonga and Sydney and Rarotonga and Los Angeles.

The Los Angeles service was first introduced in 2006, with the Sydney service starting in 2011. The current contract with Air New Zealand expires in 2022.

The purpose of the subsidy arrangement is to grow the number of visitors and attract out of season higher paying tourists from the Australian market and North American and European markets.

The underwrite, which provides Air New Zealand with a minimum return on investment, cost the Government \$12.9 million in 2018/19.

A review commissioned by the Government in 2016 found that the LAX route showed a positive economic benefit, with the Sydney route showing a small negative effect.

particular focus on import substitution. The [Agriculture Sector Plan 2020-2025](#), which is currently being developed, has a strong emphasis on commercial grower support including by improving market linkages and building clusters to aggregate supply (*Action 4.18*).

The [Agriculture Sector Plan 2020-2025](#) also identifies the expansion of the range of value-added products as a priority.

Reflecting the importance of technology as a tool to transform the agriculture sector to

'The hotel is more than willing to purchase all food locally, but it is not available.'

Participant, Aitutaki consultation

improve agriculture production and sustainability, as well as processing capabilities, the Government introduced the [SMART AgriTech Scheme](#) under the Economic Response Plan.

This scheme provides \$1 million in grants to commercial farmers and/or agribusiness ventures to encourage investment in technology and smart processes to improve yield, efficiency and profitability across the agricultural value chain.

Trade

The Cook Islands is heavily reliant on tourism services exports. Merchandise trade is dominated by imports, with very little in the way of exports – mainly fresh or chilled fish. In August 2020, total merchandise exports were valued at \$1.2 million, compared to \$20.5 million worth of imports.

Expanding our non-tourism service exports and merchandise exports offers another opportunity for consistent job creation and income growth.

To realise export opportunities, businesses need to be globally competitive – supplying goods and services to our target markets at competitive prices.



The distance between the Cook Islands and international markets puts the focus squarely on services and high-value merchandise exports. Industries with this potential include professional services (such as financial accounting), and value-

added agricultural products (such as Noni juice). The digital transformation in the Cook Islands will also provide further service export opportunities.

Reducing trade barriers and building international trade and investment relationships are also critical to driving future export advances. The



[Ministry of Foreign Affairs and Immigration](#) recently announced a renewed commitment to towards implementing the [Pacer Plus](#) (Pacific Agreement on Closer Economic Relations Plus). This trade and development agreement will lower trade barriers, provide greater certainty for businesses, and raise living standards, create jobs and increase exports in Pacific Island countries.

At the business and industry level, MFEM, in collaboration with the Ministry of Agriculture, the Business Trade and Investment Board and industry representatives, will develop an industry trade strategy (*Action 4.19*). The focus will be on addressing constraints and capitalising on opportunities in target sectors.

Greater local content in business & industry

The Cook Islands economy would be strengthened through a higher proportion of the supply of goods and services sourced from local Cook Islands businesses. In particular, local businesses that supply goods and services

competitively can benefit from major project investments.

The Government, for its part, currently places an emphasis on local content through its [Purchase and Sale of Goods and Services Policy \(Procurement Policy\) 2016](#), which focuses on value for money and simplifies procurement. As a new initiative under the Strategy, the Government will review its procurement framework in an effort to increase the opportunity for involvement of local Cook Islands businesses (*Action 4.20*).



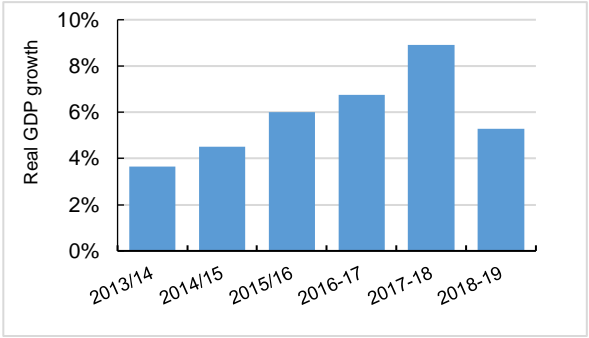
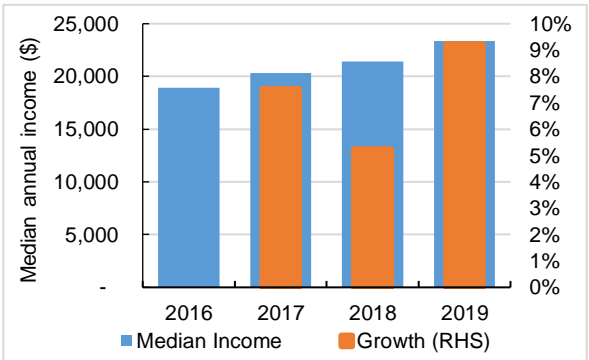
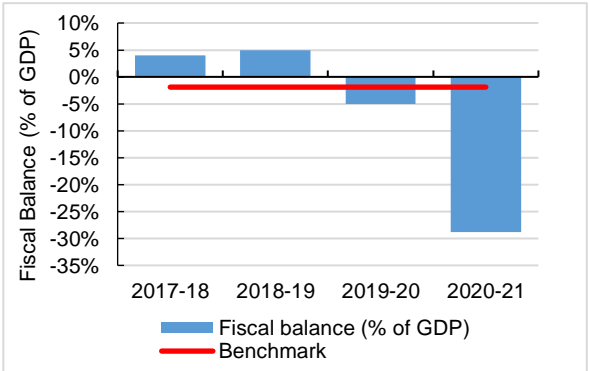
Objective 4: Actions

No.	Action	Lead Agency	Details	Indicative timing
4.1	Implement Medium-term Fiscal Strategy	MFEM	Continue implementation and refinement of the strategy	Ongoing annually
4.2	Establish Sovereign Wealth Fund	MFEM	Scoping, design and consultation and legislative drafting of the Fund	2023
4.3	New financial management policies under the MFEM Act	MFEM	Develop new financial management policies to further strengthen the management of public finances	2022
4.4	Airport Masterplan capital projects	Airport Authority/ MFEM	Review and prioritise identified airport capital projects	2021 onwards
4.5	Te Mato Vai Project	MFEM	Completion of the water network upgrade and handover to To Tatou Vai	2021
4.6	Water Tariff Review	Authority	Review of water tariff structures and price levels	2022
4.7	NZ Infrastructure fund	MFEM	Implement the Fund	Ongoing
4.8	Foreign investment framework review	MFEM/BTIB	Comprehensive review of the current framework foreign investment to ensure that it is fit for purpose	2022
4.9	Revenue Strategy	MFEM	Develop and implement a new Revenue Strategy	2021
4.10	Cook Islands Business Registry	MFEM/ MOJ	Scope, develop policy and legislation and implement a new business registry	2024
4.11	Online 'One-stop Business Info Shop'	BTIB	Develop and publish guides that identify and describe requirements to comply with key business regulatory processes	2021
4.12	Business start-up support	Chamber of Commerce	Establish a mentoring and assistance mechanism for business start-ups	2021
4.13	Banking Taskforce	FSC/MFEM	Explore the future direction of the domestic banking sector, including sustainable options to reduce the cost of credit	2022
4.14	Bankruptcy laws	MFEM/ MOJ	Assess options to introduce a bankruptcy law framework	2023
4.15	Consumer protection	MFEM	Assess options to improve consumer protection for holiday prepayments	2022

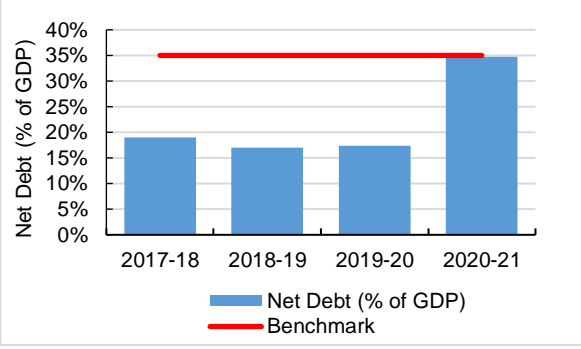
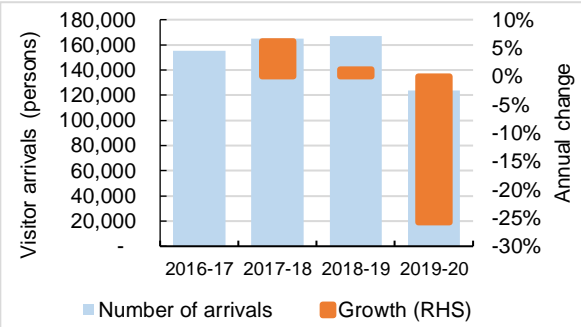
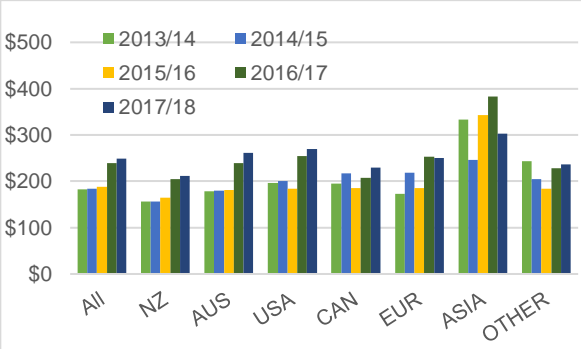
Objective 4: Actions

No.	Action	Lead Agency	Details	Indicative timing
4.16	Cook Islands Tourism Business Partnership Programme	CITC	A newly restructured tourism accreditation scheme aimed at improving the quality of Cook Islands tourism products and services	2021
4.17	Review of the airline underwrite	MFEM/ CITC	Commission expert review of the net benefits of the underwrite to inform a decision on its future	2022
4.18	Commercial agricultural support	MOA	Support to local commercial agricultural suppliers to meet local tourism demand by implementing the Agriculture Sector Plan 2020-2025	2021 ongoing
4.19	Industry trade strategy	MFEM/ BTIB/ MOA	Develop strategy to boost service and merchandise exports by local businesses	2023
4.20	Review of local content in procurement policy	MFEM	Review current arrangements and explore alternatives to boost local content	2023

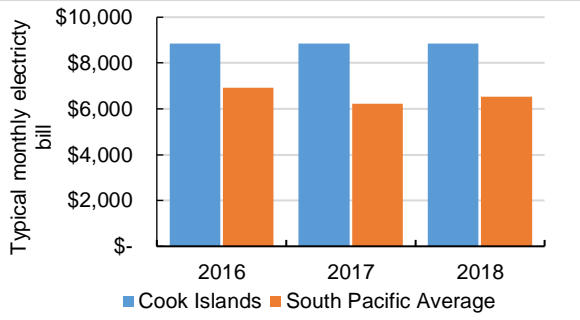

Objective 4: Demonstrating progress

Indicator	Target	Rationale	Current status															
<p>Economic growth</p> <p>Annual growth in real gross domestic product (GDP).</p>	>2 per cent growth per year on average over next 10 years.	Headline measure of economic performance and the best broad measure of productive activity within an economy.	<p>In 2018/19 the Cook Islands real GDP grew by 5.3 per cent, and averaged 5.9 per cent per year over the last 6 years.</p>  <table border="1"> <caption>Real GDP growth (%)</caption> <thead> <tr> <th>Year</th> <th>Real GDP growth (%)</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>3.5</td> </tr> <tr> <td>2014/15</td> <td>4.5</td> </tr> <tr> <td>2015/16</td> <td>6.0</td> </tr> <tr> <td>2016-17</td> <td>6.8</td> </tr> <tr> <td>2017-18</td> <td>8.8</td> </tr> <tr> <td>2018-19</td> <td>5.3</td> </tr> </tbody> </table>	Year	Real GDP growth (%)	2013/14	3.5	2014/15	4.5	2015/16	6.0	2016-17	6.8	2017-18	8.8	2018-19	5.3	
Year	Real GDP growth (%)																	
2013/14	3.5																	
2014/15	4.5																	
2015/16	6.0																	
2016-17	6.8																	
2017-18	8.8																	
2018-19	5.3																	
<p>Median income</p> <p>Change in real median income</p>	>2 per cent growth per year on average.	Broad measure of gains to labour from economic growth. Good wages support improvements in individual and family wealth.	<p>Real median income grew by about 9 per cent in 2019, to \$23,363.</p>  <table border="1"> <caption>Median annual income (\$) and Growth (RHS)</caption> <thead> <tr> <th>Year</th> <th>Median annual income (\$)</th> <th>Growth (RHS) (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>19,000</td> <td>5</td> </tr> <tr> <td>2017</td> <td>20,000</td> <td>5</td> </tr> <tr> <td>2018</td> <td>21,500</td> <td>5</td> </tr> <tr> <td>2019</td> <td>23,363</td> <td>9</td> </tr> </tbody> </table>	Year	Median annual income (\$)	Growth (RHS) (%)	2016	19,000	5	2017	20,000	5	2018	21,500	5	2019	23,363	9
Year	Median annual income (\$)	Growth (RHS) (%)																
2016	19,000	5																
2017	20,000	5																
2018	21,500	5																
2019	23,363	9																
<p>Fiscal management</p> <p>Fiscal balance & net debt to GDP ratio</p>	Compliance with Medium-term Fiscal Strategy (which allows for departures from the fiscal rules in certain circumstances).	Prudent management of Government finances is key to maintaining a stable macroeconomic environment, including responding to economic downturns.	<p>In 2020/21 the fiscal balance was estimated at about -29 per cent of GDP, a temporary departure from the fiscal rule limit of -1.9 per cent.</p>  <table border="1"> <caption>Fiscal Balance (% of GDP)</caption> <thead> <tr> <th>Year</th> <th>Fiscal balance (% of GDP)</th> </tr> </thead> <tbody> <tr> <td>2017-18</td> <td>3</td> </tr> <tr> <td>2018-19</td> <td>4</td> </tr> <tr> <td>2019-20</td> <td>-5</td> </tr> <tr> <td>2020-21</td> <td>-29</td> </tr> </tbody> </table>	Year	Fiscal balance (% of GDP)	2017-18	3	2018-19	4	2019-20	-5	2020-21	-29					
Year	Fiscal balance (% of GDP)																	
2017-18	3																	
2018-19	4																	
2019-20	-5																	
2020-21	-29																	

Objective 4: Demonstrating progress

Indicator	Target	Rationale	Current status																																																						
			<p>The net debt to GDP ratio is just under the rule limit of 35 per cent.</p>  <table border="1"> <caption>Net Debt (% of GDP)</caption> <thead> <tr> <th>Year</th> <th>Net Debt (% of GDP)</th> <th>Benchmark</th> </tr> </thead> <tbody> <tr> <td>2017-18</td> <td>19%</td> <td>35%</td> </tr> <tr> <td>2018-19</td> <td>17%</td> <td>35%</td> </tr> <tr> <td>2019-20</td> <td>18%</td> <td>35%</td> </tr> <tr> <td>2020-21</td> <td>34%</td> <td>35%</td> </tr> </tbody> </table>	Year	Net Debt (% of GDP)	Benchmark	2017-18	19%	35%	2018-19	17%	35%	2019-20	18%	35%	2020-21	34%	35%																																							
Year	Net Debt (% of GDP)	Benchmark																																																							
2017-18	19%	35%																																																							
2018-19	17%	35%																																																							
2019-20	18%	35%																																																							
2020-21	34%	35%																																																							
<p>Tourism – numbers International visitor arrivals</p>	<p>Increase visitor numbers to pre-COVID levels.</p>	<p>Key indicator of the performance of the tourism industry, the major industry in the Cook Islands.</p>	<p>In 2019/20 total visitor arrivals declined by about 26 per cent from 166,818 to 123,884.</p>  <table border="1"> <caption>Visitor Arrivals and Annual Change</caption> <thead> <tr> <th>Year</th> <th>Number of arrivals</th> <th>Annual change</th> </tr> </thead> <tbody> <tr> <td>2016-17</td> <td>155,000</td> <td>0%</td> </tr> <tr> <td>2017-18</td> <td>167,000</td> <td>8%</td> </tr> <tr> <td>2018-19</td> <td>167,000</td> <td>0%</td> </tr> <tr> <td>2019-20</td> <td>124,000</td> <td>-26%</td> </tr> </tbody> </table>	Year	Number of arrivals	Annual change	2016-17	155,000	0%	2017-18	167,000	8%	2018-19	167,000	0%	2019-20	124,000	-26%																																							
Year	Number of arrivals	Annual change																																																							
2016-17	155,000	0%																																																							
2017-18	167,000	8%																																																							
2018-19	167,000	0%																																																							
2019-20	124,000	-26%																																																							
<p>Tourism – value Average daily expenditure by international visitors</p>	<p>Increase the average daily expenditure or visitor 'yield'.</p>	<p>Higher-value tourists provide a pathway to boost economic growth without growing total visitor numbers.</p>	<p>In 2017/18 average daily visitor expenditure was estimated at \$249, ranging from a high of \$304 for Asian visitors to a low of \$212 for visitors from New Zealand.</p>  <table border="1"> <caption>Average Daily Visitor Expenditure by Region</caption> <thead> <tr> <th>Region</th> <th>2013/14</th> <th>2014/15</th> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> </tr> </thead> <tbody> <tr> <td>All</td> <td>\$180</td> <td>\$190</td> <td>\$190</td> <td>\$200</td> <td>\$210</td> </tr> <tr> <td>NZ</td> <td>\$150</td> <td>\$160</td> <td>\$160</td> <td>\$170</td> <td>\$180</td> </tr> <tr> <td>AUS</td> <td>\$170</td> <td>\$180</td> <td>\$180</td> <td>\$190</td> <td>\$200</td> </tr> <tr> <td>USA</td> <td>\$190</td> <td>\$200</td> <td>\$200</td> <td>\$210</td> <td>\$220</td> </tr> <tr> <td>CAN</td> <td>\$180</td> <td>\$190</td> <td>\$190</td> <td>\$200</td> <td>\$210</td> </tr> <tr> <td>EUR</td> <td>\$170</td> <td>\$180</td> <td>\$180</td> <td>\$190</td> <td>\$200</td> </tr> <tr> <td>ASIA</td> <td>\$250</td> <td>\$260</td> <td>\$270</td> <td>\$280</td> <td>\$304</td> </tr> <tr> <td>OTHER</td> <td>\$200</td> <td>\$210</td> <td>\$210</td> <td>\$220</td> <td>\$230</td> </tr> </tbody> </table>	Region	2013/14	2014/15	2015/16	2016/17	2017/18	All	\$180	\$190	\$190	\$200	\$210	NZ	\$150	\$160	\$160	\$170	\$180	AUS	\$170	\$180	\$180	\$190	\$200	USA	\$190	\$200	\$200	\$210	\$220	CAN	\$180	\$190	\$190	\$200	\$210	EUR	\$170	\$180	\$180	\$190	\$200	ASIA	\$250	\$260	\$270	\$280	\$304	OTHER	\$200	\$210	\$210	\$220	\$230
Region	2013/14	2014/15	2015/16	2016/17	2017/18																																																				
All	\$180	\$190	\$190	\$200	\$210																																																				
NZ	\$150	\$160	\$160	\$170	\$180																																																				
AUS	\$170	\$180	\$180	\$190	\$200																																																				
USA	\$190	\$200	\$200	\$210	\$220																																																				
CAN	\$180	\$190	\$190	\$200	\$210																																																				
EUR	\$170	\$180	\$180	\$190	\$200																																																				
ASIA	\$250	\$260	\$270	\$280	\$304																																																				
OTHER	\$200	\$210	\$210	\$220	\$230																																																				

Objective 4: Demonstrating progress

Indicator	Target	Rationale	Current status															
<p>Electricity cost Annual electricity bill for typical business customer</p>	<p>Reduce bill towards the South Pacific average.</p>	<p>Electricity is a key business input.</p>	<p>In 2018 the annual electricity bill for a typical business customer was estimated at about \$8,861, compared to the South Pacific average of about \$6,524.</p>  <table border="1"> <caption>Typical monthly electricity bill</caption> <thead> <tr> <th>Year</th> <th>Cook Islands</th> <th>South Pacific Average</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>\$8,861</td> <td>\$6,524</td> </tr> <tr> <td>2017</td> <td>\$8,861</td> <td>\$6,524</td> </tr> <tr> <td>2018</td> <td>\$8,861</td> <td>\$6,524</td> </tr> </tbody> </table>	Year	Cook Islands	South Pacific Average	2016	\$8,861	\$6,524	2017	\$8,861	\$6,524	2018	\$8,861	\$6,524			
Year	Cook Islands	South Pacific Average																
2016	\$8,861	\$6,524																
2017	\$8,861	\$6,524																
2018	\$8,861	\$6,524																
<p>Business Confidence Business confidence for the next 12 months</p>	<p>Maintain or improve business confidence levels.</p>	<p>Cook Islands business confidence reflects economic outlook.</p>	<p>In 2019 an estimated 83 per cent of respondents were confident that their businesses would do well in the coming year.</p>  <table border="1"> <caption>Percentage of respondents</caption> <thead> <tr> <th>Year</th> <th>Business ran well in the last year</th> <th>Confident my business will do well in the coming year</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>74%</td> <td>79%</td> </tr> <tr> <td>2017</td> <td>77%</td> <td>87%</td> </tr> <tr> <td>2018</td> <td>80%</td> <td>83%</td> </tr> <tr> <td>2019</td> <td>85%</td> <td>83%</td> </tr> </tbody> </table>	Year	Business ran well in the last year	Confident my business will do well in the coming year	2016	74%	79%	2017	77%	87%	2018	80%	83%	2019	85%	83%
Year	Business ran well in the last year	Confident my business will do well in the coming year																
2016	74%	79%																
2017	77%	87%																
2018	80%	83%																
2019	85%	83%																



Objective 5: Greening our economy

Efficient investment in our natural capital will improve economic growth and well-being using fewer resources and generating fewer emissions.

Introduction

Quality growth requires balanced investment in all three forms of capital; manufactured, human and natural. Natural capital encompasses the essential sink and source functions of our natural environment.³⁸

While standard economic growth theory excludes energy and other forms of natural capital, there is mounting evidence that increasingly efficient use of energy and other natural resources is a key determinant of economic growth trends.

The transition to a greener economy requires making investment trade-offs between short-term high growth policies that may not be sustainable over the long-term, and more environmentally sustainable policies that might involve a lower rate of growth in the short term.

Investing in our natural capital—so that we use fewer resources, generate fewer emissions in meeting our demands for food production, transport, construction and housing, and energy and minimising negative environmental impacts and risks—is necessary for the quality economic growth the Strategy is seeking to promote.

The Government's COVID-19 Economic Response Plan offers several temporary initiatives that aim to transform the Cook

What is natural capital?

The term natural capital encompasses the sink and source functions of our environment:

- sink - air and water as receiving media for human-generated pollution;
- source - production based on forests, fisheries, and mineral ores.

High-quality natural capital contributes to welfare indirectly as an essential part of the sustained production of economic goods and services. It also contributes to welfare directly as people derive enjoyment from pristine surroundings, old growth forests, and clean lakes and rivers in which to swim and fish.

Source: Thomas et. Al. (2000)

Islands economy – moving to a smarter, greener economy.

An example is the [Green Economy Initiative](#) which is an enhanced accelerated tax depreciation which aims to encourage private sector investment in environmentally sustainable assets.

Another is the [SMART AgriTech Scheme](#), which provides an opportunity to reduce farming's environmental footprint through new technology and more efficient processes to assist in mitigating the impacts of climate change.

A greener Cook Islands economy will be achieved by:

- improving our eco-efficiency so we grow while using fewer resources and generate fewer emissions;

- preparing for climate change to mitigate the economic and social risks of a more extreme climate;
- ensuring economic recovery plans are in place to respond in the event of a natural disaster;
- improving the management of the solid and liquid waste that is a direct by-product of our economic growth; and
- introducing better and more efficient ways of regulating the sustainable use of our environmental resources.

Fundamental to achieving the growth benefits from a greener Cook Islands economy, and ensuring it is sustainable, is a transition that is managed efficiently and at least cost.

Improving our eco-efficiency

Access to affordable clean energy

The journey so far

The Cook Islands has in the past been largely reliant on expensive and polluting diesel generation. In 2012 the Government determined a renewable energy target of 100 per cent by 2020 in the [Cook Islands Renewable Electricity Chart](#).

The Cook Islands Government has set a “50/15 - 100/20” policy goal for renewable electricity, which means: 50 per cent of our inhabited island’s electricity needs to be provided by renewable energy in 2015 and 100 per cent in 2020.³⁹

The goal is to provide affordable, reliable and sustainable energy to power our future. The shift in Government

policy towards renewable energy was not only based on sustainable development, but also meeting our international climate change obligations and strengthening energy security. Moreover, increasing the contribution of energy and resource-efficiency to overall economic productivity reduces the vulnerability of the Cook Islands to volatile energy and resource prices.

Since 2012, the Government has made substantial progress towards the renewable energy target.

In collaboration with its donor partners, the Government has successfully installed hybrid systems (comprising solar photovoltaic generator systems, batteries and diesel generators) that are currently providing about 95 per cent renewable energy across the Pa Enea.

The exception is Aitutaki, which has completed Stage 1 of a phased renewable project, which currently provides about 24 per cent of total power needs for the island.

[Te Aponga Uira](#), the Government-owned utility company in Rarotonga, in collaboration with our donor partners, has also overseen substantial recent



investments in solar panels and battery storage systems in Rarotonga.

Next steps

At the national level, given the great strides the Government has taken towards its renewable energy goal since the target was set in 2012, it is timely to undertake an energy sector wide review (*Action 5.1*). This will include a review of the 100 per cent renewable energy target to ensure that it remains an achievable, economically efficient outcome.

An affordable and reliable energy supply is a critical business input. As such, the review will consider the financial impacts on Government and pricing impacts on customers of future renewable energy investment decisions.

In Rarotonga, where Te Aponga Uira sets its own prices to fully recover costs, business and industry concerns expressed in 2012 about relatively high electricity prices remain. Following the extension of the Competition and Regulatory Authority's remit to the electricity industry (see *Action 2.2*), the Authority will assume responsibility for determining Te Aponga Uira's tariff structures and maximum prices. This will ensure efficient prices and least cost renewable investments in the long-term interests of consumers.

Responsibility for managing and maintaining electricity generation and supply in the Pa Enea, including the setting of tariffs and collection of revenues, lies with individual Island Governments. In contrast to Rarotonga, the Pa Enea, with the exception of Aitutaki, faces the problem of small customer bases across which to spread the renewable energy investment along with pricing practices that have little regard for costs. This is compounded by limited operation and maintenance capabilities on-island.

In response, the Government will implement an action plan to introduce new governance and pricing arrangements that will ensure the sustainable provision of affordable renewable electricity across the Pa Enea (*Action 5.2*).

Aitutaki is in a better position, with a larger customer base and effective management by [Te Mana Uira O Aruara](#), a Government-owned utility company. The next steps for Aitutaki are the design and implementation of Stage 2 of the renewable energy project (*Action 5.3*).

Smart energy technology

The Government will also explore other opportunities to maximise the benefits of its renewable energy investments and further reduce carbon emissions. These



include low carbon transport options to directly lower emissions and the use of smart meter technology to improve the efficiency of electricity use.

Te Aponga Uira has established the first electric vehicle charging station and a number of resorts have invested in electric vehicles and scooters.⁴⁰ The Government will also implement a program to replace end-of-life Government vehicles with electric cars.

As part of its planned Revenue Strategy (see [Action 4.9](#)), the Government will consider introducing tax and licencing arrangements that support the importation and use of low carbon transport ([Action 5.4](#)).

Support sustainable natural resource management

Over the years, the Government has been at the forefront of a push for more sustainable agriculture and fisheries practices in the Cook Islands.

Marae Moana

[Marae Moana](#) is a multiple-use marine park which extends over the entire Exclusive Economic Zone of the Cook Islands, an area of 1.9 million square kilometres. It is currently the largest commitment by a single country for

integrated management and conservation from ridge to reef and from reef to ocean.

Marae Moana was legally designated on 12 July 2017 by the *Marae Moana Act 2017*. It provides a robust framework to promote sustainable development by balancing economic growth interests such as tourism, fishing and deep-sea mining, with conserving core biodiversity and natural assets, in the ocean, reefs and islands.

Sustainable agriculture

The Ministry of Agriculture's *National Agricultural Policy 2017-2021* has a strong focus on the sustainable development of the agriculture sector.

For example, Policy goal 1: Strengthening household and national food security and nutrition, recognises the potential for local producers, on Rarotonga and the Pa Enua, to increase food production to meet the local demand for fresh and nutritious meat, fruit and vegetables.

According to the National Statistics Office, total Cook Islands imports in the food and live animals' category topped \$45 million in 2018/19, with 9 per cent or approximately \$4 million for vegetables and fruit alone. An increase in import substitution will have an immediate environmental impact by reducing the



amount of food that otherwise has to be transported from New Zealand or further afield.

As another example, Policy goal 4: Improve production through science, research, technology and sustainable practices, is directly aimed at creating efficiencies and enhance sustainable agricultural practices to ensure that we as a nation can meet the demands of today, without compromising our ability to meet future demand.

The [Agriculture Sector Action Plan 2020-2025](#) also has a policy goal to improve production through science, research, technology and the sustainable practices.

The [SMART AgriTech Scheme](#), although a temporary measure, provides grants to encourage and support commercial growers to invest in innovative solutions within the agricultural value chains. As noted in [Objective 4: Investing in our Islands](#), the Ministry of Agriculture will also strengthen its focus on supporting farmers to supply the local market.

Water cycle management

Access to clean, affordable water is critical for human survival. Water is also an important business input in certain sectors, agriculture for example. Both rely on proper management of the water cycle, which encompasses both freshwater and wastewater integrated management from source to ultimate disposal.

The [Cook Islands National Water Policy 2016](#) aggregates all the policy principles relating to the management of the water cycle in the Cook Islands.

Since the policy was approved, some of its

National Water Policy 2016

The purpose of the policy is to guide planning and implement actions across the Cook Islands to ensure that all:

- national water resources are protected from contamination sources and are managed in an integrated, equitable and sustainable way;
- the population has access to safe drinking-water;
- public health risks associated with unsafe drinking-water are identified and managed commensurate with local circumstances and in a timely manner.

The policy provides the Government with a comprehensive and consistent framework for managing water resources in a coordinated manner across all agencies and organisations with a responsibility for managing, supplying or monitoring water.

policy objectives have been recognized in new statutes such as the *Infrastructure Act 2019*, the draft To Tatou Vai Authority legislation and in other mechanisms such as improved testing regimes and agreed standards. However, gaps remain in the management of the environmental impact of activities within the water cycle.



The National Environment Service will, as part of its broader ongoing policy and legislative review of the *Environment Act 2003*, address these gaps to ensure more seamless and sustainable management of the water cycle.

Key to improving the overall eco-efficiency of the Cook Islands is improving our water use efficiency.

Current water use in Rarotonga can be described as inefficient at best, which is largely a function of no metering or water charging.

Estimates show household demand averages 1.4 kilolitres (kL) per day, or 495 kL per year. This is high compared to a water efficient utility such as Icon Water in Canberra, Australia which reports annual usage of 200 kL per year. Assuming 3.6 persons per household for the Rarotonga sample, average water use per person per day is 376 litres, substantially higher than the 161 litres per person per day for Melbourne and 210 for Sydney.

With the current level of water demand and the reliance of the Rarotonga water supply system on stream flows, short periods of low rainfall put pressure on supply. This implies that any growth in demand is likely to require an expensive supply augmentation.

As part of the final stage of the Te Mato Vai project, water meters will be installed for all customer connections. As noted in [Objective 4: Investing in our Islands](#), following the extension the Competition and Regulatory Authority's remit to the water and



sanitation sector, the Authority will undertake a water tariff review.

Preparing for climate change

The latest report by the Intergovernmental Panel on Climate Change predicts that the global surface temperature will increase by between 1.6°C and 4.3°C by the year 2100 with impacts on coastal ecosystems including: intensified marine heatwaves,



acidification, loss of oxygen, salinity intrusion and sea level rises.

These effects, along with an increase in both intensity and frequency of extreme climate events – including cyclones and droughts – are particularly relevant to the Cook Islands and its economy.

In response, the Government shifted emphasis in its disaster management approach in recent years from recovery and response only to preparedness and risk reduction.

There has been a resurgence in the efforts to build cyclone shelters in the Pa Enea. The recently completed cyclone shelter on Palmerston has been certified Category 5 and will provide respite to the 58 island inhabitants in the event of a cyclone. A similar structure is scheduled for construction in 2020/21 on Penrhyn.

In addition, in response to increasingly variable rainfall patterns, the Government is implementing a substantial water upgrade program in the Pa Enea.

The Government is also allocating funding to mitigate the impact of sea-level rises. Examples include the Rutaki Foreshore

Rock Revetment and Sheraton Foreshore Protection projects.

The Government will undertake a number of actions under the Strategy to ensure it continues efforts to better prepare for climate change impacts:

- Infrastructure Cook Islands will continue its cyclone shelter program to ensure that all inhabited islands have access to safe refuge (*Action 5.5*).
- In collaboration with Island Governments, Infrastructure Cook Islands will continue its water security investment program to ensure that each island is better prepared to withstand future dry periods (*Action 5.6*).
- The Government will also consider the merits of introducing a water tank subsidy program for Pa Enea residents to improve household water security (*Action 5.7*).

Economic disaster recovery

The Cook Islands is very exposed to disaster risk due to its geographic location in the South Pacific cyclone belt, the



remoteness and low-lying nature of many of the outer islands, and the proximity of many buildings and infrastructure services to the coast, especially on Rarotonga. In addition, the heavy reliance on revenues from the tourism sector makes the economy vulnerable to the impact of disasters.

To mitigate the economic risk posed by disasters, the Government has put in place a range of measures to reduce its financial exposure to disaster risk, including:

- establishing a disaster emergency trust fund in 2017;
- taking out insurance coverage under the Pacific Catastrophe Risk Assessment and Financing Initiative for cyclones, with a 1-in-10-year probability of occurrence with pay-out based on the assessed severity of a specific cyclone; and
- arranging a Disaster Recovery Mechanism loan from the Asian Development Bank (ADB) of \$13.5 million, which is only triggered and drawn down in the event of a catastrophe, such as the COVID-19 pandemic.

In the 2019/20 Budget, the Government added another financial mechanism to improve economic resilience, the

Stabilisation Account. This account, which commenced with \$56.7 million of unencumbered cash, is designed to be used to cover operational and capital expenditure during periods of economic contractions, including disaster recovery, such the current COVID-19 pandemic.

The range of measures that the Government has taken to prepare itself financially for a disaster has enabled the development and implementation of the COVID-19 Economic Response Plan.

While the pandemic is testing Government's financial ability and emergency response arrangements in place under the [National Disaster Risk Management Act 2007](#) to respond to a disaster, there is still a need for a comprehensive post-disaster economic recovery action plan. The Cook Islands Tourism Corporation recently commissioned a Tourism Crisis Management Plan that provides a mechanism for tourism industry stakeholders to plan, respond and recover as effectively as possible from a disaster event in the Cook Islands.

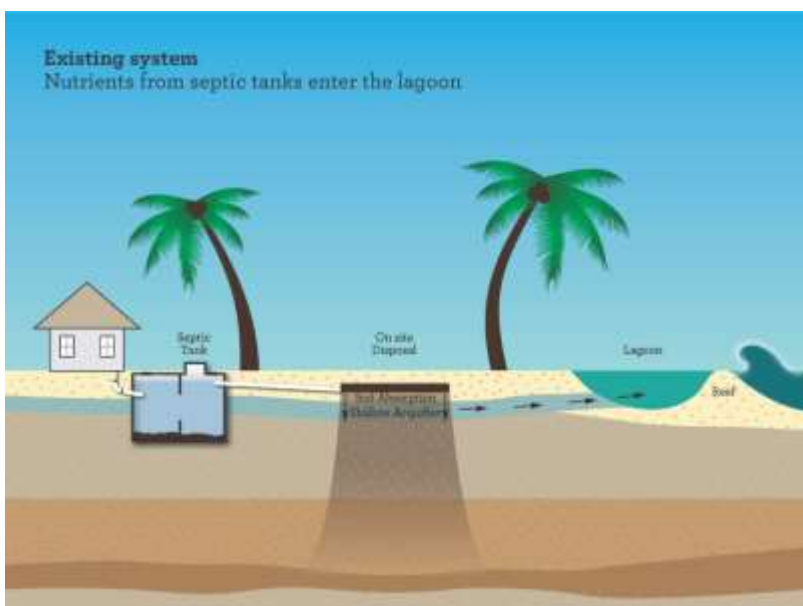
In the Strategy, the Government will develop a broader Cook Islands Economic Crisis Management Plan, one that builds on the tourism plan to cover all economic sectors (*Action 5.8*).

Sustainable management of our economic waste

Most economic developments result in increased pressure on the environment. Investment in environmental capital is essential for combating air and water pollution, road congestion and waste and sewage, to relieve the pressures as much as possible.

Sanitation

Rarotonga currently relies on onsite, privately owned and



maintained septic tank systems, which are contributing to deteriorating water quality in Rarotonga’s lagoons, and Muri in particular.

The Government and its donor partner New Zealand through the [Mei Te Vai Ki Te Vai](#) project have undertaken substantial research and consultation work to:

- develop a Sanitation Masterplan for Rarotonga outlining a programme of infrastructure upgrades and institutional strengthening interventions to provide a long-term sanitation planning tool for the Cook Islands; and
- identify a range of more immediate potential reticulated solutions to improve the water quality in the Muri Lagoon.

As the next step under the Strategy, informed by a comprehensive business case, the Government will identify the preferred option for Muri Lagoon and, when the fiscal situation permits, proceed to the construction phase ([Action 5.9](#)).

The Government will also finalise the Sanitation Masterplan and utilise it as a

‘Waste management is a priority. We are a tiny island and can’t afford any more waste.’

Participant, Mauke consultation

planning tool to guide further sanitation decisions beyond Muri ([Action 5.10](#)).

Solid waste management

The [Solid Waste Management Policy 2016-2026](#) sets out a high-level framework for improving solid waste management in the Cook Islands. The Cook Islands

currently has no regular mechanism to export recyclable and hazardous packaging and products for safe disposal and recycling and

domestic dwellings are not responsible for the cost of general waste management. The Rarotonga and a number of Pa Enea landfills are also nearing capacity.

The Government is in the process of developing an effective and environmentally sustainable mechanism for solid waste management through the Solid and Hazardous Wastes Bill 2020.

This Bill, which provides a comprehensive standalone legislative framework for waste management for the first time and combines the functions of the three lead agencies (Health, Infrastructure and Environment), will be introduced to Parliament as soon as practicable ([Action 5.11](#)).

Amongst other things, the Bill introduces the advance disposal fee concept, a proven way to improve recycling and provide sustainable financing for waste management. Such a scheme requires the payment of a small sum on certain manufactured products upon entry into the Cook Islands, which is used to pay for their eventual disposal.



Solid and Hazardous Wastes Bill 2020

The Bill, which takes an integrated approach to solid and hazardous waste management:

- establishes rules for the responsible disposal of different kinds of waste;
- provides for the collection of solid wastes (including recyclables) in Rarotonga and those Outer Islands that choose to operate under the Act;
- provides for the establishment and operation of waste facilities to which waste can be taken for disposal;
- bans or controls the importation of certain articles and substances that are, or that generate, unwanted waste; and
- establishes a scheme for the payment of an advanced disposal fee by importers of prescribed goods;
- prohibits retailers from selling plastic shopping bags for the purpose of distributing goods sold by the retailers;
- enables the Cook Islands to comply with all relevant international conventions regarding the disposal of solid or hazardous wastes.

More effective environmental regulation

Current situation

The National Environment Service (NES) is the government agency charged with protecting, managing and conserving the environment of the Cook Islands, on behalf of and for the benefit of present and future Cook Islanders. The principal legislation that the NES relies on is the [National Environment Act 2003](#). The NES roles include:

- nation-wide reporting on environmental indicators and co-ordination of responses

to areas warranting management or attention;

- sustainable land and water management practices – via regulatory controls including environmental impact assessments;
- water and air quality;
- hazardous waste and other pollution management;
- biodiversity protection; and
- the management of high value sites, such as Suwarrow.

A number of other agencies and organisations also have critical and often overlapping roles in environmental management. They include Infrastructure Cook Islands (building approvals,), Te Marae Ora (water quality, sanitation, waste), To Tatou Vai (water conservation and quality) and Ministry of Agriculture (biosecurity). The Ministry of Transport, Marae Moana, Seabed Minerals Authority, Ministry of Marine Resources and Island Governments are all involved in the environmental marine space.

The NES has identified a number of gaps, issues and coordination problems with the current environmental management legislation in the Cook Islands. Two particular problems stand out, both of which, if left unaddressed, will



compromise future environmental sustainability.

Land use planning

First, there is little to no strategic land-use planning in the Cook Islands, with applications for land development considered on an individual and site-specific basis.

There is no mechanism for permitting authorities to assess external impacts of individual developments (for example on drainage), nor are there any land zoning controls to assess whether larger commercial or residential developments are appropriate in certain locations.

Environmental impact assessment

Second, the current legislation does not provide a suitably robust framework to assess projects. It is limited to certain areas of the Cook Islands, at present only covering 6 islands, which does not include Suvarrow. It also assesses projects on individual basis rather than taking a holistic approach.

Areas of particular concern in this regard include the ability to protect wetlands and foreshore areas on Rarotonga. There is mounting evidence that the wetlands or 'lungs of the island' are under threat. This is in turn compromising the quality of water runoff into the lagoon.

Government response

In response, the Government will develop a new National Environment Policy and National Environment Act that will strengthen environmental management by addressing identified gaps and overlaps (*Action 5.12*).

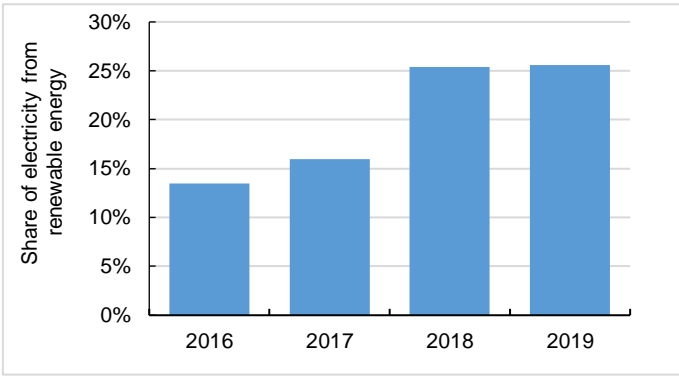
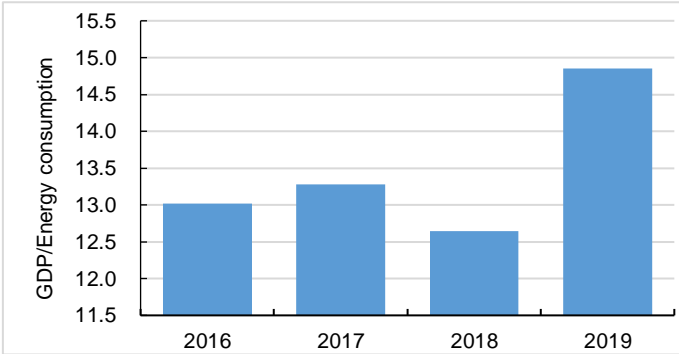
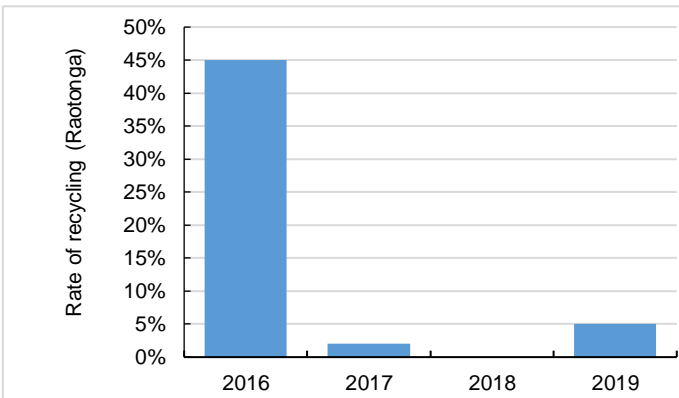
The aim is to develop a best practice environmental management framework that promotes economic growth in harmony with our environment.



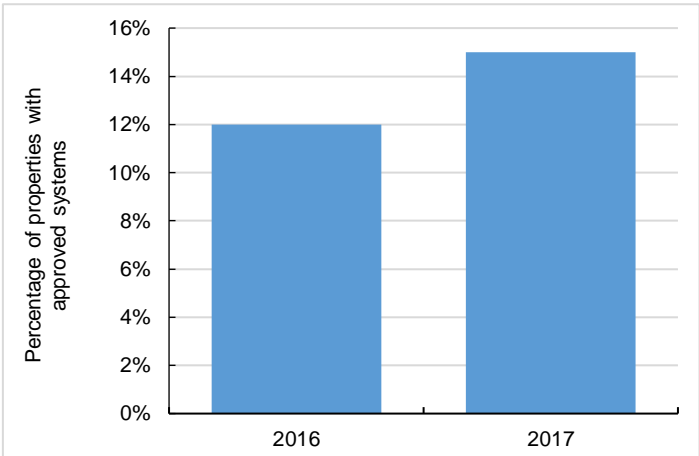
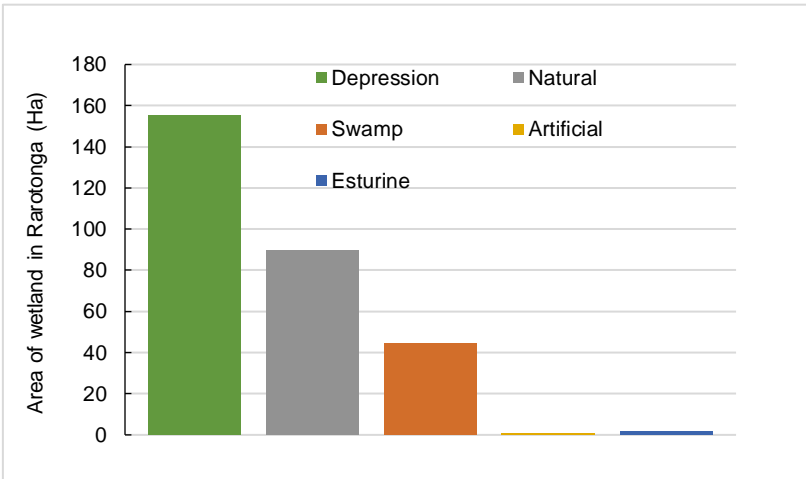
Objective 5: Actions

No.	Action	Lead Agency	Details	Indicative timing
5.1	Energy sector review	OPM/MFEM	This will include a review of the renewable energy target to ensure that it remains an achievable, economically efficient outcome.	2022
5.2	Pa Enea renewable pricing & governance	MFEM/OPM	New governance and pricing arrangements that will ensure the sustainable provision of affordable renewable electricity across the Pa Enea	2022
5.3	Aitutaki Stage 2	CIIC	Completion of installation of solar battery systems for stage 2 of the Aitutaki renewable Energy project to increase renewable energy contribution on Aitutaki to approximately 50%	2024
5.4	Low carbon transport incentives	MFEM	Consider introduction of tax and licencing arrangements that support the importation and use of low carbon transport	2023
5.5	Cyclone shelter program	ICI	Infrastructure Cook Islands will continue its cyclone shelter program to ensure that all inhabited islands have access to safe refuge	Ongoing
5.6	Pa Enea water security program	ICI	Continue water security investment to ensure that each island is better prepared to withstand future dry periods	Ongoing
5.7	Pa Enea water tank program	ICI	Consider the merits of introducing a water tank subsidy program for Pa Enea residents to improve household water security	2022
5.8	Economic Crisis Management Plan	MFEM	Develop a comprehensive Economic Crisis Management Plan	2022
5.9	MTVKTV investment decision	MFEM	Government to decide on whether to proceed to the construction phase	2021
5.10	Sanitation Masterplan	MFEM/PMU	Finalise the draft Masterplan	2021
5.11	Solid and Hazardous Wastes Bill	ICI	Finalise and promulgate the Bill	2021
5.12	National Environment Policy	NES	Consult on the draft Policy and finalise	2020-2021

Objective 5: Demonstrating progress

Indicator	Target	Rationale	Current status										
<p>Renewable energy</p> <p>Percentage of electricity generation from renewable energy</p>	Increase the renewable energy percentage.	Renewable energy is a key way to reduce the environmental footprint of our energy needs.	<p>In 2019, about 26 per cent of the total energy generated in the Cook Islands came from renewable energy sources.</p>  <table border="1"> <caption>Share of electricity from renewable energy</caption> <thead> <tr> <th>Year</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>13</td> </tr> <tr> <td>2017</td> <td>16</td> </tr> <tr> <td>2018</td> <td>25</td> </tr> <tr> <td>2019</td> <td>26</td> </tr> </tbody> </table>	Year	Share (%)	2016	13	2017	16	2018	25	2019	26
Year	Share (%)												
2016	13												
2017	16												
2018	25												
2019	26												
<p>Energy use efficiency</p> <p>The ratio of industry value added (GDP) to energy consumption</p>	Increase the energy use efficiency in the Cook Islands.	Energy use efficiency is an important element of economic productivity, lower consumer energy costs and reduced greenhouse gas emissions.	<p>In 2019, the ratio of GDP to total energy consumed in the Cook Islands was estimated at 14.9, a substantial improvement over the 2018 ratio of 12.6.</p>  <table border="1"> <caption>GDP/Energy consumption</caption> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>13.0</td> </tr> <tr> <td>2017</td> <td>13.3</td> </tr> <tr> <td>2018</td> <td>12.6</td> </tr> <tr> <td>2019</td> <td>14.9</td> </tr> </tbody> </table>	Year	Ratio	2016	13.0	2017	13.3	2018	12.6	2019	14.9
Year	Ratio												
2016	13.0												
2017	13.3												
2018	12.6												
2019	14.9												
<p>Recycling rate</p> <p>Annual rate of recycled products</p>	Increase the rate to 75 per cent by 2030.	Measures the extent to which products are recycled rather than sent to landfill, consistent with effective and sustainable management of waste.	<p>In 2019, an estimated 5 per cent of total waste on Rarotonga was diverted to recycling.</p>  <table border="1"> <caption>Rate of recycling (Rarotonga)</caption> <thead> <tr> <th>Year</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>45</td> </tr> <tr> <td>2017</td> <td>2</td> </tr> <tr> <td>2018</td> <td>0</td> </tr> <tr> <td>2019</td> <td>5</td> </tr> </tbody> </table>	Year	Rate (%)	2016	45	2017	2	2018	0	2019	5
Year	Rate (%)												
2016	45												
2017	2												
2018	0												
2019	5												

Objective 5: Demonstrating progress

Indicator	Target	Rationale	Current status												
<p>Sanitation</p> <p>Proportion of properties with approved sanitation systems</p>	<p>Increase to 85 per cent by 2030.</p>	<p>Sanitation is an ongoing issue for Rarotonga in particular, is key to maintaining the carrying capacity of the islands.</p>	<p>In 2017, 15 per cent of Cook Islands properties had approved sanitation systems.</p>  <table border="1"> <caption>Percentage of properties with approved sanitation systems</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>12%</td> </tr> <tr> <td>2017</td> <td>15%</td> </tr> </tbody> </table>	Year	Percentage	2016	12%	2017	15%						
Year	Percentage														
2016	12%														
2017	15%														
<p>Wetlands</p> <p>Area under wetlands</p>	<p>Increase in area.</p>	<p>Wetlands provide important ecosystem services. This includes water filtration and storm buffering, and are important habitats for taro cultivation and a rich biodiversity of freshwater species.</p>	<p>In 2014 there was an estimated 291 ha of wetland on Rarotonga.</p>  <table border="1"> <caption>Area of wetland in Rarotonga (Ha)</caption> <thead> <tr> <th>Wetland Type</th> <th>Area (Ha)</th> </tr> </thead> <tbody> <tr> <td>Depression</td> <td>155</td> </tr> <tr> <td>Natural</td> <td>90</td> </tr> <tr> <td>Swamp</td> <td>45</td> </tr> <tr> <td>Artificial</td> <td>5</td> </tr> <tr> <td>Esturine</td> <td>5</td> </tr> </tbody> </table>	Wetland Type	Area (Ha)	Depression	155	Natural	90	Swamp	45	Artificial	5	Esturine	5
Wetland Type	Area (Ha)														
Depression	155														
Natural	90														
Swamp	45														
Artificial	5														
Esturine	5														

Making sure it happens

Introduction

The Strategy has a 10-year timeframe, reflecting the fact that the changes required to steer the Cook Islands onto a quality growth path cannot be made overnight.

While some actions will provide quick benefits, many more will require a degree of patience. Moreover, budget constraints from the COVID-19 pandemic will require slower implementation than otherwise would be the case. The Strategy, and its actions, will also evolve over time as the economy develops and changes.

Achievement of quality growth, the goal of the Strategy, relies on all stakeholders, Government, business and industry and communities working together.

Government

Government agencies will develop and update strategies and policies to align with the Strategy objectives. Successful implementation of the action items is also critical, managed by the agencies and organisations tagged with lead responsibility.

Effective implementation in turn relies on adequate resourcing, planning and coordination by all parties involved.

The Strategy will be embedded into implementing agency 5 year strategic plans. Operational details will be incorporated into annual business plans, with funding allocated through the annual budget process. Additional technical assistance will be provided to agencies where required.

Business & industry

Business and industry will be able to use the Strategy to guide investment and operational management decisions with a clearer idea of the economic direction of the Cook Islands. It will also be a tool for business and industry to communicate and work with Government and other economic development partners.

Community

Cook Islands communities will be able to use the Strategy to more effectively influence economic development related activities.

Monitoring & reporting

The Strategy, its action items and key measures of performance, will be monitored and publicly reported on annually. The Strategy will be reviewed after 3 years, along with an updated action list.



Abbreviations and glossary

ACL	Avaroa Cable Limited
ADB	Asian Development Bank
BTIB	Business Trade and Investment Board
CIIC	Cook Islands Investment Corporation
CITTI	Cook Islands Technical Training Institute
EEZ	Exclusive Economic Zone
GB	gigabyte
ICI	Infrastructure Cook Islands
ICT	Information Communication Technology
INTAFF	Ministry of Internal Affairs
MFAT	New Zealand Ministry of Foreign Affairs and Trade
MFEM	Ministry of Finance and Economic Management
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOT	Ministry of Transport
MTVKTV	Mei Te Vai Kei Te Vai
NES	National Environment Service
NSDP	National Sustainable Development Plan
OPM	Office of the Prime Minister
TMO	Te Marae Ora
TMV	Te Mato Vai
TTV	To Tatou Vai

Endnotes and references

- ¹ More information on the Pa Enea can be found in the Island Profiles available at: <http://www.mfem.gov.ck/economic-planning/economic-development-strategy#island-profiles>
- ² United Nations (2019). World Population Prospects (2019 Revision). United Nations Population Division. Available at: <http://worldpopulationreview.com/countries/cook-islands-population/>
- ³ CIG (2020). Cook Islands Labour Force Survey 2019 Report. Cook Islands National Statistics Office. Unpublished.
- ⁴ The labour force survey was conducted in January 2020, before COVID-19 impacted the economy.
- ⁵ CIG (2018a). Medium-term Fiscal Strategy 2019/20–22/23. Ministry of Finance and Economic Management, Cook Islands Government, December 2018. Available at: http://www.mfem.gov.ck/images/CEO/Medium_term_Fiscal_Strategy_2019_23_-_Copy.pdf
- ⁶ 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.
- ⁷ CIG (2019b). Cook Islands Cost of Living — Income and Expenditure Review. Ministry of Finance and Economic Management, Cook Islands Government, November 2019. Available at: http://www.mfem.gov.ck/images/EDS_Cost-of-Living_final.pdf
- ⁸ Economic Policy Research Institute (2019). Inception report “Evaluation of the social cash transfer programmes in Cook Islands”. RFP 2018/009, 10 April 2019.
- ⁹ CIG (2019c). Cook Islands 2015-16 Household Income Expenditure Survey Report. Cook Islands Statistical Office, Avarua.
- ¹⁰ An example of such an initiative is the Scottish Government’s Air Discount Scheme for the Highlands and Islands: <https://www.airdiscountscheme.com/>
- ¹¹ See: <http://www.cookislandsnews.com/national/outer-islands/item/75566-dentist-and-doctor-home-to-mangaia/75566-dentist-and-doctor-home-to-mangaia>
- ¹² Productivity is commonly defined as a ratio between the volume of outputs and the volume of inputs. It measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. Common measures of productivity include:
- Labour productivity — Gross Domestic Product (GDP) per unit of labour used (hours for example), which only captures labour productivity; and
 - Multi-factor productivity — GDP per unit of labour and capital input used, which captures the contribution of both labour and capital.
- ¹³ Market structure typology:
- Monopoly — a single firm controls the entire market e.g. electricity.
 - Oligopoly — market structure which is dominated by a small number of firms e.g. supermarkets.
 - Perfect competition — a large number of small firms compete against each other e.g. cafes and restaurants.

-
- ¹⁴ ADB (2015). The Cook Islands – Stronger Investment Climate for Sustainable Growth, Asian Development Bank, Manila, p. 54.
- ¹⁵ IMF (2015). Cook Islands — Public Financial Management: Performance Report August 2015. PEFA Secretariat, International Monetary Fund, August 2015.
- ¹⁶ For more information see CIG, 2019: page 10.
- ¹⁷ CIG (2018). Government Fleet Management Policy. Cook Islands Government, January 2018. Available at: http://procurement.gov.ck/wp-content/plugins/ck_procurement/uploads/100618_18-07-2018_Government%20Fleet%20Management%20Policy%202018.pdf
- ¹⁸ Nextrade Group (2020). Cook Islands - Digital Economy Development Survey. In draft, 21 September 2020.
- ¹⁹ Aring, M. (2012). Report on Skills Gaps. Paper commissioned for the EFA Global Monitoring Report 2012, Youth and skills: Putting education to work. UNESCO.
- ²⁰ CIG (2019d). Labour Market and Business Confidence Report. Ministry of Finance and Economic Management, Cook Islands Government, 8 November 2019. Available at: <http://www.mfem.gov.ck/images/Labor-market-report-v4.pdf>
- ²¹ CIG (2018a).
- ²² IMF (2020). Technical Assistance Report – Macroeconomic, Financial and Structural Policies. IMF Country Report No. 20/269, August 2020. Available at: <https://www.imf.org/en/Publications/CR/Issues/2020/08/27/Cook-Islands-Technical-Assistance-ReportMacroeconomic-Financial-and-Structural-Policies-49715>
- ²³ CIG (2020). Cook Islands Government Budget Estimates 2020/21: Book 1 – Appropriation Bill, Appropriations and Commentary. Cook Islands Government, June 2020. Available at: http://www.mfem.gov.ck/images/MFEM_Documents/Budget_Books/2020-21/2020-2024_Budget_Book_1_-_Estimates.pdf
- ²⁴ CIG, 2020: p 183.
- ²⁵ The *Infrastructure Act 2019* provides a legislative framework for the efficient and effective delivery, management and regulation of infrastructure throughout the Cook Islands. For more information see: <http://ici.gov.ck/news/infrastructure-bill-2019-consultation>
- ²⁶ CIG, 2020: p 243.
- ²⁷ Utilities Regulatory Authority (2019). Comparative Report Pacific Region Electricity Bills. Vanuatu, July 2019. Available at: [http://www.ura.gov.vu/attachments/article/52/Electricity%20Price%20Comparison%20Report%20-%20Pacific%20Area%20February%202019%20\(Updated%20Version\).pdf](http://www.ura.gov.vu/attachments/article/52/Electricity%20Price%20Comparison%20Report%20-%20Pacific%20Area%20February%202019%20(Updated%20Version).pdf)
- ²⁸ The trust fund was established with \$12 million as a gift from New Zealand to celebrate the Cook Islands' achievement of graduating to High Income status.
- ²⁹ IMF (2020). Technical Assistance Report – Macroeconomic, Financial and Structural Policies. IMF Country Report No. 20/269, August 2020. Available at: <https://www.imf.org/en/Publications/CR/Issues/2020/08/27/Cook-Islands-Technical-Assistance-ReportMacroeconomic-Financial-and-Structural-Policies-49715>

³⁰ ADB (2015). The Cook Islands: Stronger investment climate for sustainable growth. Asian Development Bank; IMF (2019) IMF Mission to the Cook Islands – Concluding Statement. International Monetary Fund, April 2019, 2020: p21.

³¹ IMF, 2020: p 22.

³² ADB, 2015: p9.

³³ OECD (201920192020). Revenue Statistics in Asian and Pacific Economies 201920192020. OECD Publishing, Paris. Available at: <https://doi.org/10.1787/b614e035-en><https://www.oecd.org/tax/revenue-statistics-in-asian-and-pacific-economies-26179180.htm>

³⁴ IMF (2020). Technical Report – Cook Islands Tax Policy Review. Pacific Financial Technical Assistance Centre, September 2020.

³⁵ ADB, 2015: p 8.

³⁶ A non-performing loan is defined as a loan that is in default on interest and principal repayments for more than 90 days.

³⁷ ADB, 2015, p 36.

³⁸ Thomas, V., M. Dailami, A. Dhareshwar, D. Kaufmann, N. Kishor, R. Lopez and Y. Wang (2000). The Quality of Growth. Oxford University Press, New York. Available at: <http://documents.worldbank.org/curated/en/756531468780293668/The-quality-of-growth>

³⁹ CIG (2012). Te Atamoa o te Uira Natura - The Cook Islands Renewable Electricity Chart. Office of the Prime Minister, Cook Islands Government, 2012. Available at: http://mfem.gov.ck/images/MFEM_Documents/DCD_Docs/Renewable_Energy/Cook_Islands_Renewable_Electricity_Chart_-_Final_April_2012.pdf

⁴⁰ See Cook Islands News article, 11 April 2019: <http://cookislandsnews.com/national/local/item/72441-raro-switching-on-to-electric-vehicles>



For further information contact:

Natalie Cooke, Director

Economic Planning Division

Ministry of Finance and Economic Management

PO Box 120, Avarua, Rarotonga, Cook Islands

Telephone: +682 29511 ext. 8314

Email: mfem.economics@cookislands.gov.ck

Website: www.mfem.gov.ck