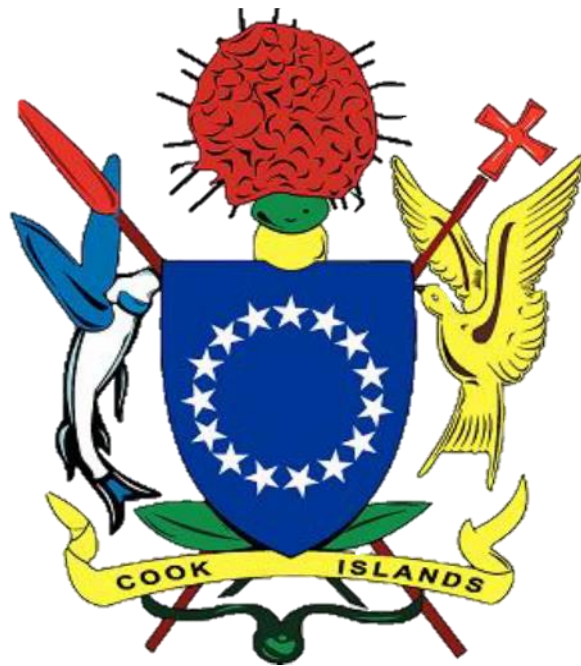

COOK ISLANDS GOVERNMENT

BUDGET SPEECH

2025/26

Akamauruuru'anga i to tatou Iti Tangata
Investing in our People



Hon. Mark Brown
Minister of Finance
21 May 2025

Budget Speech

Introduction


Kia Orana, Mr. Speaker, the King's Representative, Sir Tom and Lady Marsters, Members of Parliament, and all my fellow Cook Islanders both in the Pa Enea and here on Rarotonga. Kia Orana.

It is an honour to be here today to present our Government's Budget for 2025 – our key financing mechanism designed to support and guide more sustainable growth of our economy. It is also with great privilege that I present to you our 15th Budget in my capacity as the Minister of Finance.

Mr. Speaker, this year we celebrate more than a milestone – we celebrate our identity, our resilience, and our future. Over the past 60 years, the evolution of our national budget tells the story of the Cook Islands' growth as a self-governing nation. In our early years, we laid the groundwork with what limited resources were available – investing in essential services like roads, schools, and healthcare, whilst also leaning on the generous support of our development partners.

As challenges arose, particularly during the tenure of this government, we responded with courage and reform, adapting and strengthening our financial management and ensuring every dollar was used wisely. Though challenging, these were important lessons that have helped shape our financial management, as we become more aware of the consequences of unsustainable government spending, an oversized public service, and accumulated debt. The Ministry of Finance and Economic Management has produced a series of videos called the 'Legacy Series' to help educate and remind our people of the highs and lows that have shaped our nation's economic history.

In my last budget speech, I mentioned that our 2019 Half-Year Economic and Fiscal Update painted a bright future for the next four years. We were on track to see our national income, or real GDP, surpass \$600 million – then COVID-19 struck. I am pleased to say that we are back on track to reaching \$600 million in real GDP this financial year. We all understand how significantly this affected our livelihoods and we should never forget. As a government, we worked hard to keep our economy moving and support its recovery. Thanks to strong fiscal stewardship in the years following COVID-19, our financial position has strengthened, allowing us to look ahead and continue making important investments for our country and our people.



The Last Budget

On that note Mr. Speaker, I’d like to take a moment to reflect on our 2024 Budget, which carried the theme “*Perseverance*.” It was a fitting word for a time when our nation was still emerging from the shadows of COVID-19, facing global economic uncertainty, and working hard to steady the path forward. The perseverance demonstrated by our people, our businesses, and our institutions, carried us through those tough times. It allowed us not only to stabilise, but to grow.

Our tourism sector saw strong visitor arrivals during the 2024 calendar year reaching 170,391, demonstrating the success of our airline route development program in broadening where our tourists come from.

The 2024 Budget was designed to reinforce the gains made towards full economic recovery, guided by the Government’s Medium-Term Fiscal Strategy (MTFS) for 2024/25 to 2027/28 and priorities for the upcoming years which included addressing staff recruitment and retention to ease pressure on government services, improving water infrastructure, particularly in the Pa Enea, upgrading data systems to better identify issues and support solutions, and addressing infrastructure needs to boost safety, well-being, and service efficiency. It was a reflection of government’s ongoing commitment to fiscal responsibility.

Before I present this year’s Budget, which reflects on our 60-year journey of self-governance and continues our commitment to our people, I must express our deep gratitude to our development partners.

Mr. Speaker, I extend a special thank you to the Asian Development Bank, Japan, China, the Green Climate Fund, and the Global Environment Facility for their continued support. I also extend my appreciation to the Government of Australia for their continued support through the Australia Cook Islands Partnership Program (ACPP).

Lastly Mr. Speaker, as I mentioned earlier, we are taking time this year to celebrate and to reflect on our 60-year journey of self-governance, and as part of this I want to acknowledge our longest serving development partner, New Zealand and their continued support to our country during this journey.

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Budget 2025/26

Mr Speaker, the theme for the 2025 Budget is “*Investing in our people*” or Akamauruuru’anga i to tatou Iti Tangata.

This Budget is as a result of the strong fiscal stewardship over the last couple of years coming out of the COVID-19 pandemic. Our fiscal position has improved enough that we are now able to look forward and make important investments in our people.

In October 2024, the Public Sector Leaders’ Conference brought together senior officials from across the Government to identify and establish priorities for the 2025 Budget process, guided by the National Sustainable Development Agenda framework.

These discussions highlighted that priority areas for government resourcing were: developing our people and workforce; strengthening the education system and career pathways; investing in health and wellbeing; and adopting new technology. Budget 2025 delivers on these priorities.

A sustainable and resilient society also looks after its most vulnerable. So, investing in our people includes providing adequate social supports for people in times of need. This Budget funds the roll-out of our Social Assistance Policy 2024 which includes increased welfare payments and better leave entitlements to working parents in the private sector. There is also funding to address concerns with public sector pay scales and bringing them up to date with inflation, so we can recruit, retain and develop the government workforce, with a focus on attracting and retaining Cook Islanders wherever possible. We are also making important investments, particularly in our Police so they are properly equipped to carry out their duties.

Investing in our people means ensuring equitable access to high-quality healthcare and education, so that people can contribute productively to our society. This Budget is making significant investments in health equipment and technology, to expand and improve health services; and in teacher training.

Capital investments will also make a major contribution to the wellbeing of our people, across Rarotonga and the Pa Enua. We are funding significant capital works to upgrade sea, air and road links, to improve connectivity and economic opportunities.

The investments in this Budget have been made possible by our fiscal responsibility over the last three years. We have successfully navigated our economy through the stormy waters of COVID-19. More recently, we have also been paying down debt, so that we are in a strong and prudent fiscal position and prepared for the uncertain times that lie ahead.

Economic outlook

Mr Speaker, today’s Budget shows the results of the hard work we have done to rebuild our economy. National GDP has continued to recover strongly, and has now reached around the target level set in our Economic Recovery Roadmap. This is an important milestone, as it marks a return to the levels of economic activity we last saw prior to the pandemic.

The strong growth in our economy has been driven by a resurgence in tourism. Visitor arrivals numbers have been boosted by growth in ‘non-traditional’ markets, outside New Zealand, and are now exceeding the record levels that were set before the pandemic. In the year to March 2025, visitor arrivals reached over 174,000, including over 39,000 visitors from Australia.

Other good news is that price inflation has been steadily dropping since its spike in 2022. Annual inflation has returned to more usual growth rates, falling to 3.1 per cent in the year to December 2024. Inflation is forecast to continue growing at more modest rates, of 2.4 per cent in 2025, and 2.8 per cent in 2026.

Looking ahead, the economic outlook is broadly positive. Tourism arrivals, particularly from our key source markets of New Zealand and Australia are projected to continue growing. However, growth will be at a more moderate pace, as capacity constraints in airlines and accommodation are reached. This will be reflected in economic growth, which is projected to ease to annual growth of 8.4 per cent in 2025, followed by 2.5 per cent in 2026.

However, despite this bright outlook, there are dark clouds gathering on the horizon. The ongoing uncertainty in global trade policy, as well as the risk of geopolitical conflicts, may have flow-on impacts to the Cook Islands economy. This uncertainty is already having negative impacts on global financial markets, investment and growth, and we are not immune to these impacts.

Our economy is highly exposed to external economic conditions. A weaker global economy may flow through to our tourism sector, which could undermine future economic growth. Unfortunately, we may see higher inflation in imported goods prices, including from higher transport and logistics costs. There is also potential for supply disruptions, as global supply chains readjust to the tariffs.

We have been preparing for these uncertain times by ensuring our economic fundamentals are strong. This includes taking a proactive approach to managing our debt and maintaining a responsible fiscal position. This is enabling us to make significant investments in the wellbeing and resilience of our people.

THEME and BIBLE VERSE

Mr. Speaker, as we talk about “Investing in our people” I am reminded of a verse from the bible in the book of Peter, Chapter 5 Verse 10: "And the God of all grace, who called you to his eternal glory in Christ, after you have suffered a little while, will himself restore you and make you strong, firm and steadfast." Ko te Atua ra nona te aroa ua katoa nei, ko tei kapiki ia tatou no tona ra kaka mutu kore ia

lesu Mesia nei, kia roa iti ake to kotou mate, kia akameitaki rava aia ia kotou, kia tauturu mai, kia akamaroiroi mai, e kia akatinamou ia kotou.”

This verse encourages us that although we may be suffering, that this suffering is only temporary. The growth is not just allowed by God, but he has started the growth. We are now investing in our people to continue to grow.

As we continue to navigate the challenges ahead, let us draw inspiration from these words and remember that the challenges we faced were not just about surviving, but the challenges provided us strength and deeper character.

Throughout our history, we have faced numerous setbacks, but through the grace of God we have come through and grown stronger, and these past years have been no different.

Fiscal outlook

As we look at this year’s Budget, it reflects our continued commitment to fiscal responsibility. This budget maintains a balanced fiscal stance, meaning we aim to spend only what we bring in, avoiding any unnecessary debt. Maintaining this balance is crucial as it positions us to better withstand future economic shocks or natural disasters without overreliance on debt.

Mr. Speaker, managing our nation’s finances responsibly means ensuring we have enough funds to handle unexpected challenges, such as being able to respond to another economic shock or a natural disaster. It also means that we have the fiscal capacity to draw down on debt to respond if we need to, and as we have done in the past. The strong fiscal responsibility we have demonstrated over the past three years is evidence of our commitment to ensuring we are ready for the next challenge which comes our way – whenever and whatever that is.

In saying that, we maintain active dialogue with our funding partners to find ways to effectively manage our debt. These conversations and the potential outcomes look promising, though we must remain cautious with our spending. Our net debt is projected to decline significantly from \$202 million (or 27 per cent in GDP) in 2025/26 to \$147 million (or 18.2 per cent in GDP) by 2028/29, reflecting both debt repayment and GDP growth.

Looking ahead, nominal GDP is projected to grow steadily from \$738 million in 2025/26 to \$823 million by 2028/29, creating a stable economic foundation for generating revenue and lowering our debt. This economic growth, combined with prudent expenditure management is what underpins our fiscal strategy.

Mr. Speaker, in last year’s budget speech I mentioned that this was not the time for austerity but for prudent and strategic investment, and the fiscal position we find ourselves in is vindication for this approach. While we did not increase expenditure much over the past three years, we made conscious choices not to embark on drastic cuts, and now we are seeing the fruit this has borne. In contrast, we have seen the experience of countries making drastic budget cuts. More often than not, it tends to make things worse – what is called economic scarring. One of the biggest consequences of austerity for us here is that we lose our people, mainly to New Zealand or Australia. We’ve seen it before; we all know people who have lived it. Therefore, to continue investing in our people remains a commitment for this budget.

In summary, our fiscal outlook suggests that government is in a good position to maintain financial stability over the medium-term. This is due to consistent revenue growth, controlled spending, a declining debt-to-GDP ratio, and making sure we abide by the fiscal rules.

KEY BUDGET INITIATIVES – OPERATING

Mr. Speaker, I now share with you some of the key initiatives we have in this budget that shows just how we plan on investing in our people:

Funding our Police

In this budget, we are increasing our funding for the Police force to address long-standing staffing challenges. Over the past few years, our Police force have faced persistent shortages that have stretched their capacity and impacted their ability to serve our communities at full strength. We recognise that policing is no easy task – it demands dedication, resilience, and a deep sense of public duty. I want to take this moment to welcome the new Police Leadership and commend every individual who chooses to wear the uniform and uphold the safety and wellbeing of our people.

To support recruitment and retention efforts, and to strengthen the overall capacity of our Police services, we are increasing funding by \$1.1 million per year over four years. This is on top of the government-wide phased pay scale adjustments. These funds will be directed toward addressing critical needs to ensure our police is well-equipped to meet the growing demands of public safety.

Training our teachers

We understand the important role that our teachers have in guiding the next generation and giving them the skills to succeed in life – for all of us. But in order for teachers to truly fulfil this role and provide the highest quality of education to our children, we must first invest in them.

That is why, in this budget, we have committed to an increase of \$310,000 this financial year (2025/26) and a total of \$1.2 million over four years to continue support for the ‘Teachers Training Programme.’

First home scheme

Mr. Speaker, we acknowledge that it is hard for some people, particularly our young people to find their footing when it comes to investing in their first home. Without doubt this is one ‘driver’ that pushes our young people to seek prosperity overseas. To help with this, we are rolling out a “First-Home Builders Grant”. This initiative locks in \$630,000 over four years to provide targeted assistance to first home buyers who otherwise would be unable to build their first home. This is the first such initiative since the early Housing Corporation set up in 1978 to provide housing. This government continues to be responsive to changing development needs when fiscally possible.

Investing in Government services through pay scale adjustments

A well-functioning public service supports everything from infrastructure and education to public health and safety – all of which are essential to building a strong economy. Currently, some government agencies are still on the 2017 pay structure, while others are on the 2019 structure. This needs to be addressed so there is consistency across our agencies. In support of this, we are committing \$5.9 million to support a whole-of-government pay scale adjustment. This will be done in a phased approach and is expected to reach full implementation by 2027/28. Of the adjustments provided, \$492,000 is allocated for 2025/26 and \$4.7 million over four years towards addressing salary adjustments of Island Governments. Funding provisions over the four years totals \$49.7 million.

Mr. Speaker, this work aligns with the Cook Islands Functional Review, recently endorsed in 2024, which aims to prioritise resources, promote fair and transparent pay across the public service, and strengthen our ability to retain key skills.

Law commission

Mr. Speaker, the Law Commission Act 2007 was established to promote the regular review and improvement of our laws, ensuring they serve the Cook Islands effectively. Through this Commission, we will continually assess our legal system, recommend necessary reforms, and provide guidance to ensure our laws are clear, fair, and accessible. Areas that require attention include electoral reform, criminal procedures, our approach to intellectual property, and the legal frameworks affecting land, trade, and even cannabis. Mr. Speaker, our agencies have also identified parts of the law that need updating, and it is crucial that we remain aligned with our international obligations. The Law

Commission’s role will be vital in guiding these reviews and supporting the ongoing development of laws that meet the needs and values of our nation.

Pa Enea transport

Mr. Speaker, in 2023 we approved the Domestic Shipping Roadmap which detailed the establishment of a government-operated fleet to serve people in the Northern and Southern Pa Enea. I am pleased to say that we have secured two vessels, one from China and one from Japan. These vessels are an essential lifeline for our communities and this budget continues Government’s \$2 million investment this financial year towards establishing these shipping services. Additional expenditures will be required to confirm and regulate classifications, put in place administration, establish crew manning, warehousing and operations and maintenance.

This is a clear example of the benefits of actively diversifying our development partnerships. As it becomes difficult to access development funding due to our country's graduated status, our Government has taken steps to broaden our international engagement. The support from two nations for our shipping needs speaks to the value of that approach. By building relationships with a wider network of trusted partners, we are ensuring our infrastructure needs are met in ways that are strategic and sovereign.

Mr. Speaker, these actions address a challenge we have faced for too long. Domestic shipping faces high costs and limited demand, discouraging the private sector to invest and operate in this space, leading to inadequate shipping services in the Pa Enea. The people of the Pa Enea feel these challenges most deeply. When business is scarce, people must make do with solutions that are simply not suitable, using old ships or vessels unfit for purpose. Communities cannot count on regular deliveries or safe shipping transport. This bottleneck limits economic opportunity and holds back development, especially in our Northern Group islands. For these reasons, it was clear that a market-driven solution alone would not meet the needs of our people—and that is why we are taking direct action.

Mr. Speaker, the arrival of the two ships is expected some time in the new year. I assure the House and the public that the Ministry of Finance, through the Major Projects and Procurement Services, will provide updates as soon as negotiations are finalised and timelines are set.

Building Up Reserves

Mr. Speaker, we remain firmly committed to strengthening our financial reserves while continuing to support the immediate needs of our people. This includes a responsible plan to repay the loans we incurred during the pandemic and create a clear path toward achieving fiscal surpluses. We are also taking steps to ensure that our stabilisation account and loan repayment funds are adequately

resourced to meet future commitments. Additionally, we are progressing our work towards establishing our nation’s Sovereign Wealth Fund – to build our reserves so that we are financially prepared for natural disasters, economic shocks, and investing in our future generations. Public consultation on the Sovereign Wealth Fund gave clear guidance on its structure and objectives. The Sovereign Wealth Fund was desired to be independent of Government, invested responsibly for long-term growth, and to provide funds in the future for key wealth categories including health, education, infrastructure and the climate, and to provide for resiliency against future disasters, both natural and economic. etc.)

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KEY BUDGET INITIATIVES – CAPITAL INVESTMENTS

Mr Speaker, the Government remains committed to prioritising investment in physical infrastructure on Rarotonga and the Pa Enea. This approach recognises the vital role that well-developed infrastructure plays in supporting economic development, enhancing connectivity, and ensuring the wellbeing of all communities. Our capital investments remain guided by the National Infrastructure Investment Plan and the Medium-Term Fiscal Strategy.

Over the next few years, capital works will ensure continued government investment while also supporting growth and better connectivity in the Pa Enea. Even though our Pa Enea communities are small and remote, they deserve access to basic standards of living.

A substantial amount of capital expenditure is coming from the Infrastructure Trust Fund (ITF), funded by New Zealand. Significant capital projects, including the Manihiki Airport, the Rarotonga Airport Runway End Safety Area project, the Rarotonga Runway Slab Replacement, and the Aitutaki Runway Extension, are currently being funded through the ITF. This funding support enables the continuation and potential expansion of these major infrastructure projects, which is expected to help maintain demand for skilled labour in the economy.

New Zealand has also announced funding through a mode of Climate Finance, for projects which are funded under the administration of the ITF, as part of the Kerekere Moana Climate Financing modality. Key among these projects is the replacement of batteries in the Northern Pa Enea Renewable Energy systems and Aitutaki Water Supply project. This level of infrastructure support from New Zealand reflects the importance of the special relationship between both our countries and again I thank New Zealand for its support.

Infrastructure for the Pa Enea

In the Pa Enea, we are giving significant attention to improving and expanding air and sea infrastructure as a means to expand economic opportunities to our Pa Enea communities.

The Arutanga Harbour project, part of the Aitutaki Island Plan, is designed to ensure safe passage for small boats and uninterrupted access for cargo ships to the island, and enable new tourism development opportunities. The Cook Islands Investment Corporation aims to complete the project in 2026, with funding of \$1.3 million allocated in 2025/26.

Work to upgrade Manihiki airport will receive an additional \$4 million over two years. In addition, we are providing \$1 million for repairs to the runway at Mangaia airport.

The 2025/26 Budget also includes \$5.9 million over four years to improve the harbour and wharf infrastructure in the Pa Enea – in particular on Nassau and Atiu.

Roading on Rarotonga

On Rarotonga, funding continues to be directed towards the rehabilitation and upgrading of deteriorating bridges and road networks. Rarotonga’s road network spans 201 km, with some areas damaged by weather, erosion, and heavy use. In this Budget, we have allocated \$38.2 million for ongoing renewal and improvements to Rarotonga’s roading network over four years, as part of the Road Asset Management plan, as well as \$15.9 million over four years for improvements to critical bridges.

This investment in accessibility and connectivity will enhance the productivity of the Cook Islands economy. Not only will it improve road safety and ensure the provision of essential lifelines in times of emergency, it will also prolong the working life of our motor vehicles.

A new dialysis unit

As part of ongoing efforts to improve healthcare, plans are underway to establish a much-needed dialysis unit at the Rarotonga hospital. This project is set to commence in 2026/27 for two fiscal years, and it will be in collaboration with Te Marae Ora, the Cook Islands Investment Corporation, and the New Zealand Ministry of Health. The new unit will allow patients with kidney disease to receive high-quality, life-saving treatment right here in the Cook Islands, reducing the need to travel overseas for essential care.

Changes to social payments to support those in need

And finally, Mr. Speaker I turn to our social assistance programs.

Inflation has put real pressure on households in recent years, much of it driven by external factors beyond our control. While we work on long-term solutions, we’re also taking immediate steps to support those most affected. Last year, Cabinet endorsed the Social Assistance Policy 2024 which has provided a roadmap for increasing support to those most in need: This builds upon our regional renown for having the longest-established and supportive social benefits framework in place.

From 1 July 2025, destitute payments will increase from \$400 per month to \$500 per month to assist those who are unable to provide for themselves financially.

Child benefits are being extended to 17-year-old children from 1 July 2026, then up to 18-year-olds from 1 July 2027. The child benefit will also increase by \$25 per month from 1 July 2026 and again each year for 3 more years until it reaches \$200 per month – doubling the current rate.

Mr Speaker, we recognise how important it is for parents to have time with their new-borns, especially in those crucial early weeks. To support this, from 1 July 2026, paid maternity leave will gradually increase – rising by two weeks each year until it reaches 14 weeks. From 1 July 2025, paternity leave will also be introduced at two weeks, paid at the minimum wage. And to further ease the financial pressure on new families, the new-born allowance will increase from \$1,000 to \$1,500, also beginning 1 July 2025.

Minimum Wage Increase to \$10.00 per hour

To assist with the impacts of rising prices, the Government has also confirmed an increase in the minimum wage rate from \$9.50 to \$10.00 per hour. For a worker on 35 hours per week, that is an additional \$900 a year.

Conclusion

Mr. Speaker, as we reflect on our 60-year journey of self-governance, we acknowledge those who have sat where we are today. This includes not just our politicians and public servants, but our elders, our community leaders, entrepreneurs, and youth, and all members of our community who have paved the way for us in those early years, through to those who stand before you today.

This year’s Budget is not just a financial plan, it is an expression of our values. With the theme being *Investing in Our People*, we are continuing an important commitment to the vision that the future of our nation lies in the wellbeing and potential of our citizens. A vision founded by our late Premier Sir Albert Henry when he said, “no-one in any family, village, tribe or community should be left out or without.”

As we come together to celebrate this year, I think we can look back and be proud of how far we have come. Looking forward, it is our responsibility to keep the path so that future generations can look back too, as we do today, and be proud.

Meitaki ma’ata for your attention and support as we all work together to build a stronger, more resilient Cook Islands.

Kia Orana, e Kia Manuia