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TO: Financial Secretary & Natalie Cooke
Ministry of Finance and Economic Management

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RE: COMMENTS AND OBSERVATIONS ON THE DRAFT ECONOMIC DEVELOPMENT STRATEGY

1. INTRODUCTION

The draft EDS has strong merit and is a good document that is clear and easy to read. The format of guiding the reader through objectives, actions, targets and measures provides the reader with clear understanding of where the Government priorities are and a guide to outcomes.

However I have had difficulty understanding how “the focus of the Strategy is evolving from ‘quantity’ to ‘quality’ growth”. The vision of “our future economic growth is more equal, taking better care of the human and natural capital” is also not clearly articulated and it would appear in some cases to be more unequal.

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,

to provide a structure, which will help guide our decision-making has been well developed taking into account the impacts of COVID 19 but again little evidence on “HOW”.

I have provided my comments under the following areas

- A. General comments that must underpin any economic development strategy and
- B. Observations on each of the Key objectives and provide in some cases further recommendations for consideration are provided in italics. My comments reflect the view that each key objective is not mutually exclusive and that in some cases are dependent on each other to achieve the desired outcomes
- C. Conclusions and overall statement.

A. GENERAL COMMENTS

The EDS highlights the need for equity and equal access for all and in particular the Pa Enea. Fundamental to equality and equal access is the need for political reform. The EDS is silent on this matter and fails to address the inequality of political representation. In this particular instance the Rarotonga residents are disadvantaged in a number of ways: Rarotonga represents more than 60% of the population and only 40% of Parliamentary seats while those who live in the Pa Enea represents approx. 30% of the population and represents 58% of Parliamentary seats. My vote in

Tupapa the largest electorate is not the same value as a vote in Rakahanga. The Commission for Political Reform recommendations remain relevant today.

Unequal representation in Cabinet and Parliament means that there is unequal distribution of the effort of the population on Rarotonga. The economic drivers in the Cook Islands are further required to support the actions and recommendations of the EDS identified under the key objectives. There is unequal distribution of wealth and unequal benefits accrue to those who created the wealth and this will continue until political reform is considered and implemented.

Alternative options on better distribution and encouraging economic effort are provided under each of the key objectives in italics.

The second concern I have is the issue of Land and land distribution. The current system without a doubt is becoming extremely tenuous for a large number of families where family numbers exceed the available land for the entire family therefore leases and occupation rights that come up for renewal will have major difficulties when consensus cannot be reached. Encouraging local to return home will further exacerbate this problem. Land distribution cannot be equal.

As well, a major impediment to investment is uncertainty of land rents irrespective that there is certainty of leases. Land issues fall into two categories:

- I. Residential requirements for families and how this works with large families
 - a. This requires family talking and ensuring they understand what each family is entitled to and support to enable determination of relative interest so that once this is completed land is able to be divided and partitioned to particular members of the family - this provides individuals with certainty that they have this land in perpetuity for their family.
 - b. Discussions within families is essential in order to get agreement on what land is available overall and who has what.
 - c. Government may need to consider developing uninvestigated land blocks for landless Cook Islanders on Rarotonga.
- II. Investment and commercial requirements:
 - a. Currently there is no land rating system similar to that which NZ has therefore there is no certainty or ability to know what land rents will be paid from one year to the next.
 - b. In some cases businesses have been made bankrupt because the court system and an unfair land rental system across commercial properties on Rarotonga is set by the Courts or simply agreed because commercial owners do not want the additional expense of legal fees.
 - c. The recommendation is to develop a Land Rating System similar to NZ where there are registered Land Valuers, Legislation that sets out the criteria for valuation and for what period. It also provides certainty that the rental will be as determined for a given period which will then allow for commercial developers to understand full costs prior to and following an investment. Provisions for challenging the rates over a given period including judicial ruling will be the last resort but this in fact could be as Councils do in NZ, Cabinet may have the final response to the land rents to be charged on commercial properties.

B. OBSERVATIONS AND FURTHER RECOMMENDATIONS

OBJECTIVE 1 IMPROVING EQUITY AND ACCESS

Objective 1 has a very strong emphasis on the Pa Enea and with little discussion on improving equity for Rarotongans. My views are not intended to show that Pa Enea families should not receive and have equity and access but there is a limit to what can be provided and to what extent this can be provided for free. Therefore it is my view that there are some things that may and should be considered:

- a. Tax free for businesses that establish their office and headquarters in the Pa Enea
- b. All Pa Enea are also open to have foreign workers
- c. All Pa Enea are also open to paying real costs for services such as telecommunications and power

It is my view that the Pa Enea population is a de facto welfare system and all jobs in the Pa Enea must achieve or contribute to outputs. All areas jobs that are not productive in the Pa Enea should be included as part of the welfare system.

Pa Enea have been disadvantaged because proposals are developed and the full value chain has not been understood of what is required at Step 1 to the final sale or export. It is by share luck rather than design that productivity occurs in the Pa Enea and therefore technical and financial support are essential if projects and development is to occur and is effective.

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
<p><i>Welfare system should be seen in light of what services, NGO and Government Services are provided for elderly and disabilities. Currently there are a large number of elderly and disabled persons who are being neglected and it has been left to NGO's like the Creative Centre (CC) to support this effort. Increasing social welfare payments generally is not to the detriment of those who are entitled and it provides income for families. The issue of neglect seems to be on the increase and requests for care services at the CC are increasing. An elderly age care report is essential because today families have smaller homes and few are providing the necessary care for elderly parents or grandparents as they did in the past. Welfare systems must take into account the cost for the elderly and disability members that attend receive services from these organisations and a proportion of their welfare benefit can be redirected accordingly</i></p>				
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
<p><i>Is this not something that owners of businesses would do anyway however incentivizing would be a good option – why would this only apply to tourism operators?</i></p>				
1.3	Rarotonga housing market study	CIIC	Housing market study to better inform possible interventions to improve access to housing in Rarotonga	2022
<p><i>This is not a housing market study but a land issue. As stated earlier Government will be required to look at uninvestigated land and determine what might be available for landless Cook Islanders for residential housing.</i></p>				
1.4	Land tenure review	OPM/ MFEM	Review of the current land tenure system to ensure equitable and efficient access to land	2022

No.	Action	Lead Agency	Details	Indicative timing
<i>To review current land tenure to ensure equitable and efficient access to land is naïve and shows a huge lack of understanding of how the land tenure system works. To say that those who have no land simply because of the size of the family and then those with smaller families are required to give up parcels will create chaos and will disenfranchise Cook Islanders from their inheritance. This will create a massive war if it were to be even suggested.</i>				
1.5	National Minimum Wage Policy	INTAFF	National Minimum Wage Policy developed to guide minimum wage setting from 1 July 2021 onwards	2021-22
<i>National Minimum Wage Policy must be seen in light of proposed changes to the tax brackets.</i>				
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
<i>Price fixing is a backward step – costs are greater and therefore some consumers will find other means of meeting their needs as they do now.</i>				
1.7	Shipping Roadmap	MFEM	Implement Shipping Roadmap actions to ensure the sustainable, safe, reliable and affordable provision of inter-island shipping	2023
<i>How difficult is this – already been done many times with no real change in sight until new players come on board</i>				
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
<i>Another subsidy for the outer islands</i>				
1.11	Universal Access Plan	Competition & Regulatory Authority (CRA)	Develop a Universal Access Plan in consultation with Pa Enea residents	

OBJECTIVE 2: TRANSFORMING OUR ECONOMY

Objective 2 builds on the strengths that were implemented under the Economic Recovery Plan and provides a good foundation for further innovative strategies to be developed and consolidated. I would agree wholeheartedly that a more productive and diverse economy is more dynamic and resilient to shocks. The fact that Government has started the work is a positive move and further positive innovations are possible but this EDS does not provide the “HOW”

It is my view that there are a number of areas that will be key to successful development projects and long-term sustainable income generation. This includes:

- Technical partnerships with businesses that may provide – start-up capital, technical expertise in the development of the project or investment, value chain expertise to ensure

that all steps and impediments are being addressed and marketing and sales that are addressed prior to development.

- Affordable investment capital locally -
- Support for Cook Islanders as landowners to be included as investors as a priority especially if foreign investment is being considered as an alternate
- Businesses that are already successfully developed overseas and can be replicated in the Cook Islands e.g. growing of medicinal plants or Hemp

No.	Action	Lead Agency	Details	Indicative timing
2.1	Innovation Strategy	MFEM/ new Ministry of Innovation, Information & Communication (if established)	Develop an Innovation Strategy, focusing on capacity building, research and development partnerships and growth opportunities to meet business and industry needs	2023
<p><i>ERP has been successful on a number of fronts and further funding for businesses should be considered carefully – foreign investors must review their long term strategy and if further funding to maintain a viable business is required consideration should be given to the landowners of the property to invest by way of Government Grant thereby providing a capital share for Cook Islanders to be part of the business – this is the alternate to perhaps giving consideration to directing further grants to foreign investors only</i></p> <p><i>The new Ministry must consider where areas of Government have opportunities for public private partnerships that are similar to Maritime Cook Islands. This may include:</i></p> <p><i>Dentistry – Financially viable business section of the MoH that will support local dentistry services. There are many Cook Islanders that are prepared to pay for top class services instead of having to travel to NZ to get that service.</i></p> <p><i>Other businesses that could operate effectively include:</i></p> <p><i>Prison Services – perhaps in the Pa Enuā</i></p> <p><i>MoE (a competent HOM would help) and allowing USP – to provide educational programs for international fee-paying students – partnerships with Universities and technical colleges will be essential – USP Campus is a good start</i></p> <p><i>Best Pre-School in the Pacific Region. Excellent preschool teachers need to be employed for all children and excellence in learning, being inquisitive and understanding the world will follow - allow under 5 year olds to have the best start in life – the rest will happen because that is what they will demand.</i></p>				
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
<p><i>A banking review that will allow Cook islanders to work within the financial banking system of NZ would be a real plus.</i></p>				

No.	Action	Lead Agency	Details	Indicative timing
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
<p><i>Should be a requirement of the new PS Commissioner. One that has business skills as well as financial skills are essential. Work on capacity assessments says a lot about what Ministries are not able to do.... It provides suggestions but little has changed the way that some Ministries operate</i></p>				
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
<p><i>As a result of COVID 19 there has been more discussion about the Creative Industries and what should happen. In most cases it has been more about institutions than in development of creative industry which is something that will likely happen over time. There is a lot of evidence that if there is a vibrant local screen industry eg. Film set, production set that allows for movies and TV to be produced then the creative industry and all those who are part of it in whatever role will also develop. Screen industry is the largest employer of all creative arts and therefore to start with a good film set where visiting production studios can use and do not have to bring in equipment will be the first step. There are currently different levels of film set equipment with one producer who has been working independently on post production work for many years from Rarotonga. There also appears to be a studio that could provide with medium level of assistance a fully equipment film studio that might be used by overseas studios. The Cook Islands would then provide the infrastructure to start what could be a very good and developing industry with others who are artists, writers, technicians etc can be trained and employed. Spending money to set up organisations would be the incorrect use of valuable money for equipment and marketing of the industry.</i></p> <p><i>Supporting projects for filming etc would be what is required and have clear goals and outcomes to be achieved are essential.</i></p>				
2.11	Seabed licencing and exploration	Seabed Minerals Authority	Complete exploration licencing 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
<p><i>The new Ministry will only be as good as the person who will head the organisation. Someone who understands and has been in business, developed new businesses and understands the role business plays in the larger economy.</i></p>				

OBJECTIVE 3 DEVELOPING OUR PEOPLE AND CULTURE

It is my view the development and training of Cook Islanders must be a key priority for the sustainable development of the country. However, our small population will always be an issue which includes adequate labour force:

- in the areas that are considered menial, cleaners, agricultural workers, caregivers etc
- development and research
- technical areas such as agricultural development, technology changes
- science and technology

Therefore it is essential that international partnerships are formed, where local labour is scarce, and Cook Islands expertise offshore could be sought in these areas could be sourced. All new developments take into account labour requirements and Cook Islanders living offshore who have the expertise could be incentivized and encouraged to apply and return with the new development.

The major Ministry that is charged with developing our people is the MoE. This Ministry requires an expert who understands the role of education and understand financial returns that can be gained from providing expert systems and programs and has an educational vision for the future. Unfortunately this is currently missing in MoE.

Important as well is the role that CITTI plays and the role of USP. These both could be developed to enhance current programmes and further encourage international students to take up educational programs in the Cook Islands. This will serve two purposes 1) income generation for MoE and 2) providing much needed labour where opportunities might arise in new development areas or rebuilding our existing tourism industry.

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
<i>This is premature at this time – Government is currently over employed and therefore until there is a clear understanding of where development areas are can labour gaps and opportunities be identified</i>				
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
<i>The scheme has to be included with development strategies and programmes in the Pa Enea and incentivising students to just return has no added value.</i>				
3.5	Extend & enhance scholarship scheme	MFEM/MOE	Expand the current scholarship system, including establishing a matched repayment scheme	2023

No.	Action	Lead Agency	Details	Indicative timing
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
<i>Taking this on by private sector businesses when they are trying to develop business again will be an extra cost that most are likely not able to manage.</i>				
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
<i>International research suggests that take a child before age 7 and he/she can be taught anything. Therefore it is my view that we invest in our young children providing them the best preschool teachers we can find in the world. The rest will develop.</i>				

OBJECTIVE 4: INVESTING IN OUR ISLANDS

This objective continues to work on essential infrastructure that the Government sees as providing the tools for future development such as airports, waste management, sanitation, electricity and water. A roads and drainage project was proposed and developed under the R2R project by Tonkin and Taylor. It was then proposed that it be submitted to GCF for funding and was sent through to GCF by its representative that was working here during COVID. Initial comments from GCF indicated that it had merit but nothing further has happened.

Current government actions with GCF, GEF and AF have been minimal and it would appear that although there is funding available little has been accessed and is likely to be over the next two or three years for infrastructure projects.

We are still awaiting the benefits of the Manatua cable with cheaper and faster internet.

However, this also presumes that there will be sufficient funds for these new investments to be carried out. Donors and partners will need to come to the table to fill the void as GDP will take some time to rebuild. Current Government actions suggest that public service numbers will remain at a similar level therefore where investment funds will come from not only to meet public service payroll but also investment actions is a mystery.

The actions are forward thinking and are dependent on developments such as Sovereign Wealth Fund from Deep Sea Minerals. There is little information that allows for public private partnerships is a concern.

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 of 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
<i>What is the NZ infrastructure fund</i>				
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
<i>Land rents review and robust rating system established first</i>				
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
<i>Already established</i>				
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
<i>How does this fit with the new Ministry of Innovation?</i>				
4.12	Business start-up support	Chamber of Commerce	Establish a mentoring and assistance mechanism for business start-ups	2021

No.	Action	Lead Agency	Details	Indicative timing
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 5: GREENING OUR ECONOMY

This objective is about ensuring that we take advantage of managing our environment in a sustainable way. Where possible meeting the 100% RE targets and ensuring we manage waste. If tourists are to return the Cooks must demonstrate interest and priority areas of sustainable environmental management.

Cook Islanders have previously been key in supporting this effort and again public private partnerships must be formed to ensure all the actions are implemented sustainably

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
<p><i>Windmill farms and more investment in solar energy have been suggested as a way forward to achieve the energy targets. Landowners must be allowed to be included in this area and initially landowners receiving free electricity over time might be the alternate to cash for land. Becoming partners in the wind farm development or solar farms will be a plus for Cook Islanders.</i></p>				
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
<p><i>Pa Enea consumers must pay the energy cost for generation and replacement - ensuring that all electrical equipment purchased by Pa Enea consumers meets minimum energy efficiency standards. Energy should not be subsidised by Rarotonga consumers</i></p>				
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

No.	Action	Lead Agency	Details	Indicative timing
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
<i>Government needs to lead by example – still continues to purchase petrol/diesel trucks for Government employees</i>				
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
<i>Pa Enea Water security has been an issue forever. The Pearl project asks the question and an outcome of the Pearl project is to assess and characterise water security for each island and confirm levels required to ensure water security is understood. Where this is now at is uncertain.</i>				
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

C. CONCLUSION

This review took time and effort and having completed the commentary it is difficult for me to understand where Government funding will come from to continue to support the current public service payroll as well as implement actions as proposed in this EDS.

The actions appear to be little more than a wish list of actions over the next 10 years that is hoped will achieve GDP growth of say 2% per annum. However there is little indication how this will happen because all the actions have not been quantified and there is no detail of where and how the private sector might support this effort.

This EDS is government driven and government are central and unfortunately private sector which drove the economy after the 1996 collapse has not been recognised as a major player. Irrespective I look forward to being involved and supporting the next steps.

Teresa Manarangi-Trott