

## **BUDGET POLICY STATEMENT**

**2015 – 2016**

Fifty years ago, our Cook Islands began its journey as a self governing nation. What preceded this significant milestone was the iron will and the hope of many Cook Islanders that we write the pages of our own history, forge our culture, determine fate or victory as people of the Cook Islands.

In this year of 2015, we commemorate our progress, fifty years into our journey of nationhood. To dismiss the magnitude of this progress and to suggest as some do, that little has changed, dishonours the courage and sacrifice of our pa metua.

To secure the gains our country has made requires constant vigilance and a willingness to change, not complacency. Like all countries, we have suffered setbacks since 1965 and we will undoubtedly face further challenges going forward. But we must be positioned to overcome these challenges. To date, we have come far. Our people of goodwill regardless of political party allegiances are too many for those of ill will to change history's currents.

Guiding Budget 2015/16 is the premise that we learn from our setbacks but will not be trapped by mistakes of history and we will have the courage to persevere in forging the way forward for the next 50 years.

Our 2014/15 budget and previous ones are is testament to this premise. Since our elections in October 2011, Government has achieved much it can be proud of and taken decisions that were hard to make, but necessary, ensuring equity and will benefit our nation in the long run. We have made substantial changes to our tax environment where the burden is eased on our people through tax reductions and our older generation have received significant increases in their pensions. Those between 60 and 70 years receive an extra \$100 per month to \$500 and those over 70 are now in receipt of \$640 a month, an increase of \$240 per month compared to 2011.

Government has passed legislation to remove the back-tax on our aged collecting the New Zealand pension and amended the Welfare Act to ensure that our Cook Islands pensioners who have been away no longer have lengthy waiting periods for requalification.

In the 2014/15 budget, Government earmarked \$13 million to be spent on health. This included the purchase of much needed specialist equipment, completing upgrades of health facilities and training for Cook Islands nurses.

The 2014/15 fiscal year also recorded the highest operational spending of \$14 million (excluding depreciation) in education. An additional \$4.4 million was provided for operating expenditure to private schools. Scholarship students from our pa enua saw an increase in government support from \$50 to \$100 a week to assist in their living expenses while in Rarotonga.

With an estimated two thirds of our economic income derived from tourism, Government continued to support the sector through providing funds to ensure that we are competitive and that we can grow our tourism sector and related industries with a focus on broadening our market base and maximising returns from our spend in tourism.

We have steadily increased our returns from fisheries and in 2014/15, over \$6 million from licence fees, catch revenues and penalties have been anticipated. Government is cognizant of the need to sustainably manage our fisheries and has continued to work on establishing our Marae Moana framework which will balance the uses and users of marine resources for the enjoyment of future generations of Cook Islanders. The 2014/15 year has seen the implementation of the pearl revitalisation program in Manihiki and eligible farmers can now stimulate production.

Our patrol boat, Te Kukupa, which plays a key role in managing our fisheries, is currently undergoing refitting. This will ensure that it continues to integrity of our waters.

In the 2014/15 financial year, our people in Rarotonga, in Rakahanga and Pukapuka have seen progress towards the supply of electricity from the sun. We have completed 'Te Mana o Ra' project in Rarotonga and by May 2015, Te Huiira Natura ki te Tokerau project will be completed and all islands in the north will be powered by solar energy taking our country a step closer to energy security.

Significant progress has been made in upgrading our water infrastructure in Rarotonga through Te Mato Vai, as well as the provision of water tank subsidies to households. Government has also increased significantly the storage of water harvested in the islands of Aitutaki, Atiu and Palmerston in 2014/15.

We have over 2014/15 implemented remedial works on key infrastructure in our pa enua such as the airports of Atiu, Mitiaro and Pukapuka. Additionally, the construction of wharves in Mangaia, Tukao and Tauhunu has been completed after more than a decade of dangerous manoeuvring of people and cargo through these passages.

Improving the health of the Muri lagoon through better sanitation systems is complete and the WATSAN program has now moved to Tikioki and Aitutaki.

A total of fifty two pieces of heavy equipment consisting of excavators, rollers, graders, backhoe and wheeler loaders have arrived for despatch to the pa enua. This should considerably improve the ability of the pa enua to implement projects on their islands.

Government in 2014/15 stepped up its efforts to modernise our public service. The majority of government agencies are now part of the cookislands.gov.ck network giving greater security and consolidates information technology needs and efforts for efficiency gains across government. A new payroll and human resource system has been implemented. The new customs, goods and processing system is now operating and the new online government asset management systems has been progressed significantly in 2014/15.

Recognising the importance of responding immediately in times of disaster, Government has taken insurance in the Pacific Risk Catastrophe Insurance Scheme and also continued to put funds aside in our own Disaster Response Fund which now amounts to \$0.500 million.

As 2015, marks the 50<sup>th</sup> anniversary of our self-governing nation, we will celebrate our achievements, while being mindful of our duty to manage our financial resources sensibly for the betterment of our people. Thus, this Budget Policy Statement is set out in the following order:

1. 2014/2015 Budget key strategic priorities;
2. Intentions for the 2015/16 Budget; and
3. Medium Term Fiscal Policy

## **BROAD STRATEGIC PRIORITIES**

Our theme for our 2015 Celebrations is 'Our Journey as One People'. This is a timely reminder, that the Cook Islands consist of fifteen islands of which twelve are inhabited. As our founding father Albert Henry stated, "No one in the tribe is to be left out and no one in the village is to be forgotten". Over the past four years, Government has made concerted efforts to ensure that development in the Cook Islands is inclusive and it must benefit not only some but all Cook Islanders living in Rarotonga and especially the pa enua. This will continue in 2015/16.

In this year of celebration, our broad strategic priorities are to:

1. celebrate our people;
2. celebrate our environment;
3. celebrate our economy and improve economic productivity; and
4. put in place the means to progress our priorities.

In determining these priorities, implicit in our efforts is the recognition of the integration of the social and cultural; economic and environmental pillars of sustainable development.

## **INTENTIONS FOR BUDGET 2015/16**

### **1. Celebrating our people**

Our people are critical and central to our development as a nation. Therefore, in 2015/16 we will:

- continue our investment in inclusive, equitable quality education and lifelong learning;
- continue to invest in ensuring healthy lives with particular focus on prevention of non-communicable, communicable diseases and reproductive health;
- explore ways that will result in the improved wellbeing for our people;
- boost the prevention of substance abuse and harmful use of alcohol;
- strengthen efforts to reduce all forms of violence particularly against women and girls;
- reinforce police and community partnerships and crime prevention;
- increase efforts to improve the efficiency of the justice system;
- promote and support efforts to increase social and economic development opportunities in our communities;
- progress our Population Policy to ensure that we put in place strategies for our people and those who call the Cook Islands their home to be proud to contribute to our nation's development; and
- promote the inclusive celebration of our traditions, culture, heritage and nationhood.

### **2. Celebrating our environment**

Our culture teaches us that we are part of nature and our environment and cannot be separated from it. Thus our future is very much dependent on the natural system that will support our social and economic development. In 2015/16 we will:

- finalise our National Environment Strategic Action Framework for implementation;
- strengthen our systems and processes for assessing impact of development on our environment;
- continue to work on operationalising our Marae Moana (Cook Islands Marine Park);
- promote eco-friendly and green growth initiatives;
- implement sanitation upgrades in Tikioki and Aitutaki; and
- improve awareness of our areas of environmental and biological significance.

### **3. Celebrating our economy and improving our productivity**

Having a durable economy lets us provide the services and infrastructure that our people aspire to. Our economic development can only be achieved through strong partnerships between government, the private sector and our communities. In 2015/16 we will:

- apply a holistic approach to economic development that integrates our people, culture and environment;
- instigate public private partnerships where appropriate;
- continue to identify and remove barriers to business and enterprise;
- improve on efforts to spread the benefits of tourism to the pa enua;
- enhance our efforts in ensuring sustainable fisheries both inshore and offshore focusing on long term viability;
- continue with the implementation of revitalising pearl production;
- increase agricultural productivity on all islands with particular focus on meeting the demand of the domestic consumption, income generation and import substitution;
- continue to promote and broaden our customer base in our financial services sector;
- establish a financing mechanism to support our agri- business sector with particular emphasis on vanilla production;
- maintain our efforts to ensure that our seabed mining regulatory frameworks are robust; whilst being competitive; and
- explore options to diversify and encourage business start up and growth.

### **4. Putting in place the means to progress our priorities**

To ensure that we are able to progress on the path of sustainable development, we need the appropriate structures and tangible infrastructure to underpin our efforts. In 2015/16 we will:

- Ensure the public service, its systems and processes and legislation will allow us to provide the services that our people need in the most productive way possible;
- continue our efforts in improving our asset management systems;
- complete the second stage and commence implementation of the third stage of Project City;
- continue to implement and complete stage two of Te Mato Vai;

- repair existing community water tanks and install new tanks in the pa enua to increase water storage capacity;
- improve road and drainage infrastructure in Rarotonga and the pa enua;
- implement our renewable energy program in our southern islands;
- build Apii Nikao and undertake any required refurbishment in other schools;
- commence the upgrading of our airports in our pa enua;
- take action on a regular shipping service for our pa enua, particularly our northern islands;
- continue with work on our ports and harbours in the pa enua;
- make changes to our telecommunications landscape to provide a competitive environment to deliver better and cheaper services to all Cook Islanders;
- continue to put aside funds that better prepare us in times of disaster;
- maintain our efforts to build the resilience of our communities to hazards and the slow onset effects of climate change; and
- continue to build and pursue partnerships regionally and internationally that will contribute positive to our country's development.

### **MEDIUM TERM FISCAL POLICY**

The Ministry of Finance and Economic Management Act 1995/96 ("the Act") requires Government to state or reaffirm its long-term objectives for fiscal policy in the annual Budget Policy Statement. Part III Section 23(2) of the Act sets out the long term fiscal principles to ensure a positive macroeconomic environment for the Cook Islands. These principles as set out in the Act are as follows:

- Ensuring that unless Crown debt is at prudent levels, operating expenses will be less than operating revenues (i.e. Government will run an operating surplus).
- Achieving and maintaining levels of Crown net worth that provide a buffer against factors which may impact adversely on net worth in the future.
- Managing prudently the fiscal risks facing the Crown.
- Pursuing policies that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.

Government must pursue its policy objectives within the financial context established by these principles which are quantified in fiscal responsibility ratios (FRR). The FRRs are regularly reviewed and establish the parameters for the Budget, with a continued focus on the level of expenditure on Crown debt. These are outlined clearly in the 2014/15 Half Year Economic and Fiscal Update (2014/15 HYEUFU).

The 2015/16 Budget will operate under tight fiscal conditions, with any new policies needing to be offset by savings in other areas.

### **CONCLUSION**

2015 is the year to reignite the embers of nationhood that found expression in our country 50 years ago. Implementing these policies in 2015/16 is going to be an ambitious target, but with courage and determination it can be done. If we have learnt anything from our past fifty years, it is that the

promise of this nation will only be kept when we work together and with support of those external partners who are willing to help us. This is where courage comes from. It is when we turn not from each other, nor onto each other but towards each other. Then we will find that we do not walk alone and that we can stand together. Only people who truly love their country can do this.