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PRESS RELEASE: Cook Islands Graduation from Official Development Assistance

Following strong economic growth in 2014, 2015 and 2016, the Cook Islands Government was notified by the Organisation for Economic Cooperation and Development (OECD) that it was on the list of countries that was likely to reach high income status by 2017. This list is utilized by the OECD's Development Assistance Committee (DAC) to determine eligibility for Official Development Assistance (ODA).

In June 2017 a Cook Islands' Government official, together with New Zealand Ministry of Foreign Affairs and Trade (MFAT) Officials, visited Paris to present an argument to the OECD for additional time to address gaps in the current economic data on the Cook Islands. Key to this argument was that graduation should be based on Gross National Income (GNI) data. The Cook Islands does not currently produce this data, as a result Gross Domestic Product (GDP) was being used to determine eligibility.

The problem with this approach is that primary income, or rents that flow in and out of the economy, are not included in GDP statistics. In this case, like in many small island economies, the Cook Islands measurement of GNI is likely to be much lower than GDP. It is possible that GNI will be below the 'high income' threshold required for graduation.

If the Cook Islands graduates prematurely due to inadequate data, this could have serious long-term negative consequences for economic development. Key issues to consider in the case of premature graduation are; the high cost of running government due to the geography of the Cook Islands, with many islands scattered over a large distance, vulnerability to natural disasters and economic downturns in Australia and New Zealand, and the cessation of community development programs most of which is funded by ODA.

In July 2017, the OECD agreed to provide the Cook Islands until the end of 2018 to develop GNI data. Since this time, the National Statistics Office of the Ministry of Finance and Economic Management (MFEM) has been working closely with MFAT and the International Monetary Fund's Pacific Financial and Technical Assistance Centre (PFTAC) on the development of this data.

At this stage, revisions are being made to our GDP (economic growth may not have been as strong as we thought). In addition, flows out of the country have been picked up that suggest that GNI will be lower than GDP. Therefore, it is possible that the Cook Islands will not graduate. Much more work needs to be

undertaken over the next 15 months to determine the level of the Cook Islands' economic development and the Cook Islands Government acknowledge with appreciation the support of the Governments of New Zealand and Australia, as well as the IMF for the current work on economic data.

In addition to the work being done on the Cook Islands economic data, the Cook Islands Government is undertaking an analysis on the sectors that would be affected in the event of graduation, to inform a possible transition plan in the event of graduation. It is envisaged that the Public Sector Leaders Conference on 23-24 October 2017 will also serve as a platform to engage with stakeholders on programs/projects that could be affected by graduation in order to provide the Government with a clearer picture of fiscal, social and economic implications.

End.