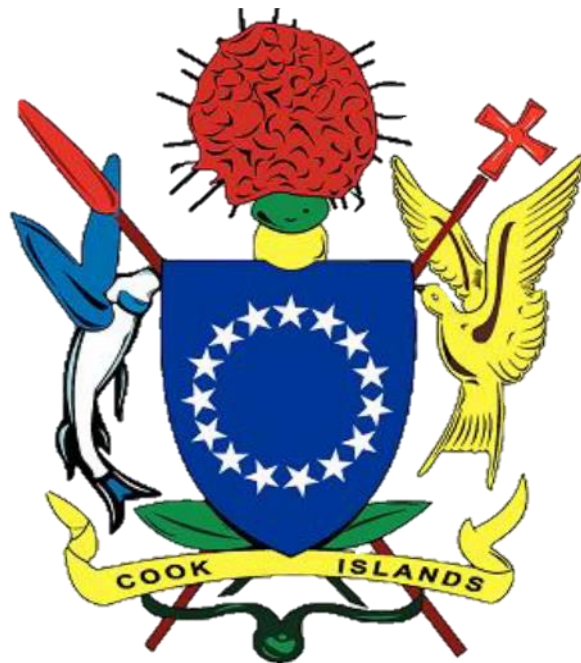

COOK ISLANDS GOVERNMENT

**2024/25 Half-Year Economic and
Fiscal Update**



Hon. Mark Brown
Minister of Finance

10 December 2024

Abbreviations and Acronyms

Term	Definition
ACL	Avaroa Cable Limited
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
BCI	Bank of the Cook Islands
CIG	Cook Islands Government
COFOG	Classification of Functions of Government
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CSS	Core Sector Support
EDS	Economic Development Strategy
EEZ	Exclusive Economic Zone
ERP	Economic Response Plan
ERR	Economic Recovery Roadmap
EU	European Union
FY	Fiscal Year
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFS	Government Financial Statistics
HYEFU	Half-Year Economic and Fiscal Update
IMF	International Monetary Fund
LRF	Loan Repayment Fund
MTEC	Medium-term Expenditure Ceiling
MTFF	Medium-term Fiscal Framework
MTFS	Medium-term Fiscal Strategy
NSDA	National Sustainable Development Agenda 2020+
NSDP	National Sustainable Development Plan
NZD	New Zealand Dollars
ODA	Official Development Assistance
PFTAC	Pacific Financial Technical Assistance Centre
POBOC	Payments on Behalf of Crown
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
ROBOC	Revenue on Behalf of Crown
SPC	Pacific Community, formerly known as the South Pacific Commission
SPREP	Pacific Regional Environment Programme
SOE	State-Owned Enterprise
UNDP	United Nations Development Programme
USD	United States Dollars

General Notes on the Half-Year Economic and Fiscal Update

All figures presented in this report are in New Zealand Dollars (\$) unless otherwise specified.

Foreword

The Half-Year Economic and Fiscal Update (HYEFU) is presented to Parliament annually in December, providing the most up-to-date information available to the Government at the time of publication. This update includes detailed insights into revenue, expenditure, financial contributions from development partners, and debt funding. It should be noted that the data underpinning this document was finalised as of the following dates:

Economic forecasts	18 November 2024	Fiscal forecast Shocks	30 November 2024
Tax Revenue forecasts	18 November 2024	Document Text	9 December 2024
Fiscal forecasts	28 November 2024		

Economic and fiscal conditions are subject to rapid changes. Readers are therefore encouraged to contact the Ministry of Finance and Economic Management (MFEM) if there are any concerns regarding the accuracy or timeliness of information provided in this document.

The HYEFU is developed with input and information from multiple government agencies. The MFEM acknowledges the valuable contributions of these agencies and advises that questions related to specific subject matter areas should generally be directed to the relevant agency.

The following agencies are recognised for their contributions to the revenue data and specific sections of the 'Economic Update' chapter:

Ministry of Agriculture	Ministry of Justice
Ministry of Marine Resources	Cook Islands Investment Corporation
Financial Services Development Authority	Cook Islands Police Service
Ministry of Transport	Ministry of Internal Affairs
Ministry of Foreign Affairs and Immigration	Office of the Prime Minister
Business Trade & Investment Board	Financial Services Commission

The Economic Planning Division for the MFEM also extends its gratitude to the following divisions within MFEM for their valuable contribution to the respective chapters of this document:

Chapter

Crown Debt and Net Worth
Office Development Assistance

Division

Treasury Management Division
Development Coordination Division

Disclaimer

Please be advised that the actual revenue and expenditure data for the 2023/24 fiscal year presented in this document may differ from the figures reported in June 2024 Quarterly Financial Report. These variations arise from the accrual accounting system utilised by the Cook Islands Government. The data included in the 2024/25 HYEFU provides a more accurate representation of actual revenues and expenditure for the 2023/24 fiscal year.

Projections for revenue and expenditure in this document are based on the most current information available at the time of preparing the 2024/25 HYEFU.

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**MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS**

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10 December 2024

STATEMENT OF RESPONSIBILITY

The *2024/25 Half-Year Economic and Fiscal Update (HYEFU)* has been prepared in accordance with sections 11 and 16 of the *Ministry of Finance and Economic Management (MFEM) Act 1995-96*, which require the MFEM to publish a report in December providing an economic and fiscal update to the Appropriation Bill.

In compliance with section 30(2) of the MFEM Act 1995-96, the Minister of Finance and the Financial Secretary have prepared and signed a Statement of Fiscal Responsibility for the financial statements.

The integrity of the disclosures within the 2024/25 HYEFU and their consistency with the requirements of the MFEM Act 1995-96 are assured. This update reflects the fiscal and economic implications of Government decisions and circumstances as of December 2024, as communicated to me, as well as other economic and fiscal information available to the Ministry, in accordance with the provisions of the MFEM Act 1995-96.

As Financial Secretary, I accept full responsibility for the integrity of the information provided.

Kia manuia,

A handwritten signature in black ink, appearing to read 'G Henderson'.

Garth Henderson
Financial Secretary



**OFFICE OF THE MINISTER OF FINANCE
GOVERNMENT OF THE COOK ISLANDS**

**P.O. Box 3246 Rarotonga, Cook Islands
Telephone: (+682) 24-875; Facsimile: (+682) 24-178**

10 December 2024

STATEMENT OF RESPONSIBILITY

I have reviewed the Financial Secretary's Statement of Responsibility and concur with it regarding the preparation of the 2024/25 HYEPU.

I confirm that I have advised the Financial Secretary of all Government decisions and other circumstances up to December 2024, of which I was aware, that had material economic and fiscal implications. This advice was provided to ensure that MFEM could prepare the 2024/25 HYEPU in accordance with the MFEM Act 1995-96.

I accept overall responsibility for the integrity of the disclosures contained in this document, and for ensuring consistency and completeness of the information, in compliance with the requirements of the MFEM Act 1995-96.

Kia manuia,

A handwritten signature in black ink, appearing to read 'Mark Brown', with a long horizontal flourish extending to the right.

Honourable Mark Brown
Minister of Finance and Prime Minister

1. Introduction and Overview

The Half-Year Economic and Fiscal Update (HYEFU) provides an updated view of the economic and fiscal forecasts shaping the 2024/25 Budget. This report compares the original forecasts with actual figures from 2023/24 and highlights key changes in the economic and fiscal outlook.

Fiscal Performance:

- **2023/24:** Government operating revenues slightly declined from \$207.8 million to \$205.6 million, while operating expenditures decreased from \$195.4 million to \$193.4 million. Capital expenditure was also lower than projected in the 2024/25 Budget, reducing from \$21.0 million to \$15.9 million. As a result, the fiscal surplus increased to \$9.8 million, exceeding the initially estimated surplus of \$5.1 million.
- **2024/25:** A fiscal deficit of \$20.6 million is projected for the year-end, primarily due to increased operating and capital expenditures arising from a significant volume of carry-forward commitments from 2023/24 to complete ongoing work programmes. However, after adjusting for these expenditures, originally planned for the prior fiscal year, the deficit reduces to \$1.6 million. From 2025/26 onward, the fiscal balance is expected to improve significantly, with robust surpluses projected.

Medium-term Fiscal Strategy:

The Government's MTFs for 2025/26 to 2028/29 serves as a roadmap for responsible fiscal management and outlines spending priorities. Emphasis will be placed on investments in workforce development, education, health, wellbeing, technology, infrastructure, and strengthening government agencies. These plans reflect the ongoing recovery from COVID-19 and a focus on achieving sustainable, long-term growth.

Economic context:

The Cook Islands economy has shown remarkable resilience, with nominal GDP surpassing pre-COVID levels. Visitor arrivals reached over 165,000 in the year ending September 2024, driven by strong growth in the Australian market. Tourists from Australia are staying longer and spending more, significantly contributing to economic activity. Moving forward, the economy is expected to maintain stable and sustainable growth.

Fiscal responsibility:

The updated fiscal estimates adhere to rules designed to ensure disciplined and prudent government spending. These rules aim to maintain fiscal stability over the medium term while supporting critical investments.

Risks and assumptions:

Despite encouraging signs of recovery, uncertainties remain, particularly due to the risks of global inflationary and geopolitical pressures. The forecasts are based on conservative assumptions and the most reliable information available at the time of publication.

The HYEFU reflects the Government's commitment to transparency and accountability in managing the country's finances while fostering economic growth and resilience.

2. Medium-term Fiscal Strategy 2025/26 – 2028/29

This chapter presents the Cook Islands Government’s Medium-term Fiscal Strategy (MTFS) for the period 2025/26 to 2028/29, which also serves as the 2025/26 Budget Policy Statement. The MTFS reaffirms the Government’s commitment to sound fiscal and economic management and has been developed in the context of the final stages of recovery from the severe economic shock of COVID-19. It also reflects the Government’s ongoing efforts to transition the Cook Islands economy towards long-term sustainable growth.

The MTFS supports the Government to deliver fiscally sustainable budgets as the Government commits to:

- Adhering to the fiscal rules on cash reserves, debt, expenditure growth and investment.
- The development of, and appropriation into, reserve funds (Stabilisation Account and Sovereign Wealth Fund) to ensure that excess revenues are saved for periods of economic downturn or natural disasters, and for future generations.
- An expenditure profile that is steered by the economic context, through the use of internal guiding principles.

Establishing appropriate fiscal rules tailored to the prevailing economic conditions is essential for sound fiscal management. In recognition of this, the fiscal rules were updated in September 2024, with the current rules being:

- Cash Reserves Rule.
- Net Debt and Investment Rule.
- Operating Expenditure Rule.
- Budget Balance Rule.

These are explained in more detail further below in the chapter, and these are a key pillar of Government’s fiscal strategy. This strategy is underpinned by the following policy elements:

- Investing in the capabilities of government agencies to ensure they operate effectively and efficiently.
- Investing in infrastructure that will ensure the sustainability of economic growth and the resilience of the economy to climate change.
- Increasing revenue without increasing the tax burden on society, through economic growth and by ensuring that tax legislation is enforced in an equitable manner.

The Cook Islands experienced a significant economic shock due to the COVID-19 pandemic, which led to a temporary suspension of the fiscal rules beginning with the 2019/20 Supplementary Budget. During this period, the Government utilised the Stabilisation Account funds and debt financing to adjust the expenditure profile in response to the economic challenges. As the economy began to recover, the 2023/24 Budget reinstated adherence to the fiscal rules, and this was further upheld in the 2024/25 Budget.

Over the past two years, the Government’s fiscal approach shifted from addressing the immediate needs of the pandemic to a more neutral position as economic recovery progressed. With nominal GDP returning to pre-COVID levels and the Government’s fiscal position strengthening, the focus is now on rebuilding fiscal buffers and fostering sustainable, long-term economic growth.

The Government is committed to the expenditure profile set out in Table 2-1 over the medium-term. The fiscal space indicates the amount of additional expenditure, or reduction in expenditure, that the government can undertake in each year.

In determining the recommended expenditure profile for the MTFS, the Ministry of Finance and Economic Management (MFEM) considers two fiscal space measures, both consistent with the MTFS fiscal rules:

- the structural deficit ceiling approach, which estimates the difference between the structural fiscal balance and nominal fiscal balance, and
- the cyclically-adjusted balance method, which accounts for the effect of business cycle fluctuations on revenue and expenditure.

The Government then adopts a budget ceiling which provides a fiscally responsible level of fiscal space while acknowledging the investment needs of the country, in the context of the economic situation and the fiscal rules.

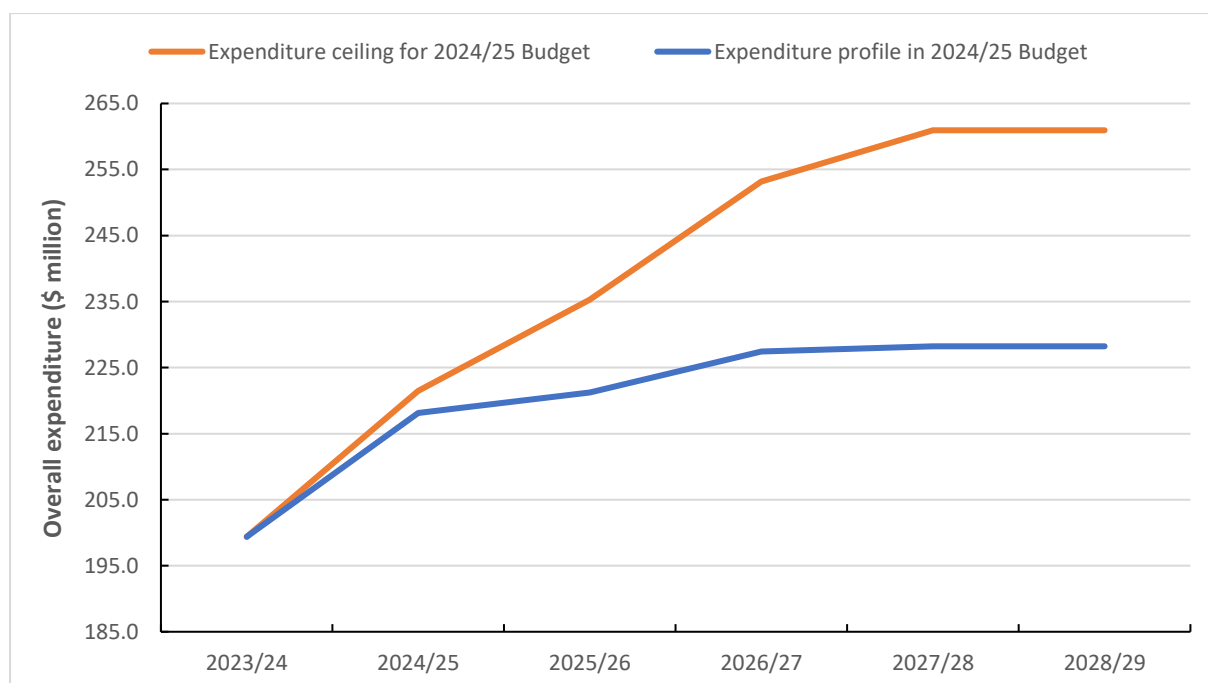
Table 2-1 Medium-term Expenditure Ceilings (\$ million)

\$ million	2024/25	2025/26	2026/27	2027/28	2028/29
Current expenditure planned (2024/25 Budget)	218.1	221.2	227.5	228.2	228.2
Fiscal Space (unallocated)	3.4	14.1	25.7	32.7	32.7
Total expenditure – 2025/26 Budget	221.5	235.3	253.2	260.9	260.9

Total expenditure limits will increase significantly compared to the levels set in the 2024/25 Budget. This adjustment is based on technical assumptions regarding revenue, which ensures that Cash Reserves meet the three-month level in all years. The changes in the expenditure profile are shown in Figure 2-1.

To maintain this ceiling, in preparation for the 2025/26 Budget, the Government will continue to prioritise essential services. It may reallocate the budget between outputs and/or agencies where appropriate, to optimise efficiency in meeting its ongoing objectives. Additionally, the Government will carefully assess the fiscal implications of any new initiatives.

Figure 2-1 Expenditure Profile Shift through MTFS (\$'000)



2.1. MTFS Economic and Fiscal Forecasts

2.1.1. Economic Forecast

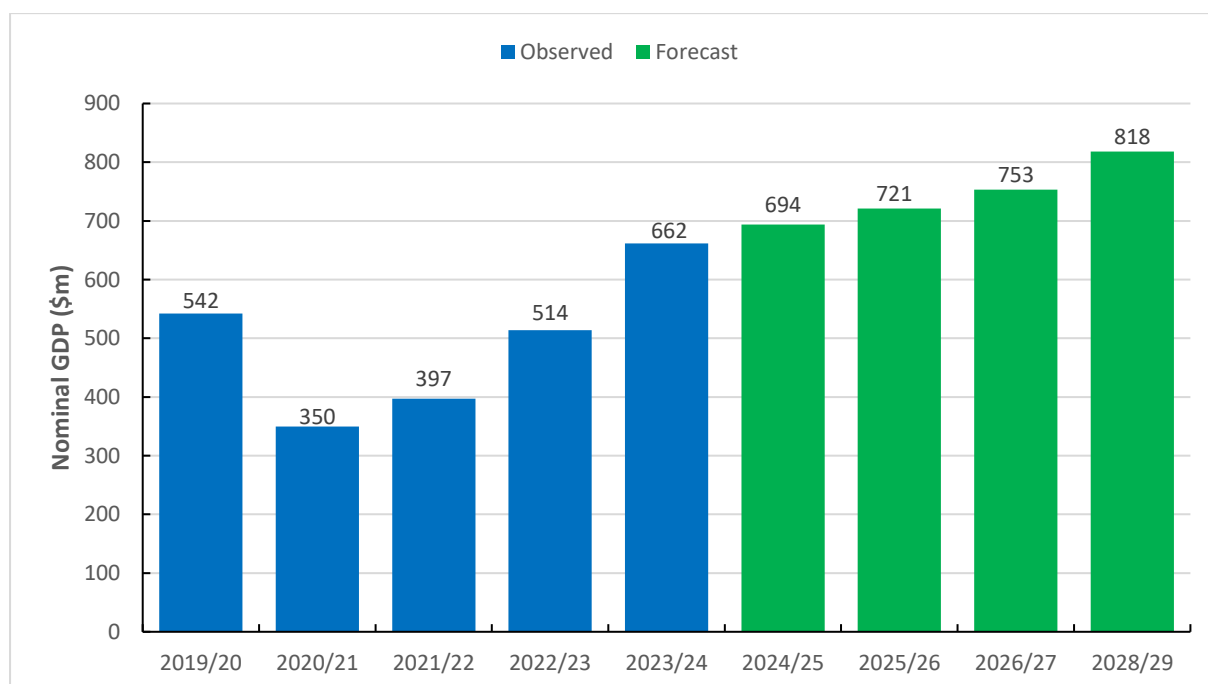
Since the reopening of international borders in January 2022, the Cook Islands' economy has rebounded faster than expected from the pandemic-induced recession. In the 2023/24 fiscal year, nominal GDP surpassed pre-pandemic levels for the first time, growing by 28.8 per cent, building on the 29.4 per cent growth of the previous year. This demonstrates the strong recovery of the economy.

A portion of this growth has been influenced by higher prices, which have posed some challenges. However, as inflation from the 2022/23 year has eased due to improved global conditions, inflationary pressures are gradually reducing. Real GDP, which takes into account inflation, is expected to return to pre-COVID levels by the end of the 2024/25 year.

The recovery in tourism, bolstered by government investments in aviation, has been a key driver of economic growth, especially with significant increases in visitors from Australia. Looking ahead, growth rates are expected to stabilise, with a projected 4.8 per cent for the remainder of 2024/25.

In the years to come, nominal GDP growth is forecasted to be 3.9 per cent in 2025/26, 4.5 per cent in 2026/27, and 4.2 per cent in 2027/28. While inflationary pressures have eased, ongoing risks remain due to geopolitical factors, which continue to affect the Cook Islands.

Figure 2-2 Nominal GDP (\$ million)



2.1.1.1. MTFS Expenditure Profile

Over the past two years, the Cook Islands Government has focused on managing expenditure within the constraints of the post-pandemic economic recovery. Due to revenue levels and the fiscal position not yet returning to pre-pandemic levels, expenditure restraint was necessary, while still balancing the need to provide support to the recovering economy.

This MTFS outlines an evolving fiscal landscape, where the strengthening fiscal position allows for gradual easing of these restraints. This will enable the Government to invest key priorities while maintaining core services.

The expenditure profile for the period 2025/26 to 2028/29 will focus on key areas including investment in people and workforce development, education, health and wellbeing and the adoption of new technology. In addition, ongoing investments will be made in infrastructure and capacity-building within government agencies to ensure the efficient and effective delivery of services. Funding for new programmes will be prioritised based on the essential needs of the community, and the achievement of Government's overarching priorities, in line with fiscal sustainability goals.

2.1.2. Fiscal Responsibility Rules

The fiscal rules were established as benchmarks for the government to achieve fiscally sustainable budgets. Initially implemented in the 2019/20 Budget, they were revised for the 2022/23 Budget to address the economic impact of COVID-19 on the Cook Islands economy, with a focus on maintaining fiscal liquidity during the early years of recovery. These rules have since been revised again for the 2025/26 Budget to accommodate the evolving needs of the economy as it continues to recover from the pandemic. This updated set of fiscal rules is expected to remain in place for the next four years, guiding the final stages of recovery and the transition of the Cook Islands economy into a new phase of long-term growth.

The fiscal rules have been formed under the guidance from the International Monetary Fund (IMF) on the criteria for rule development which are as follows:

- Sustainability: compliance with the rule should ensure long-term debt sustainability.
- Stabilisation: following the rule should not increase (and may decrease) economic volatility. The principle of stabilisation ensures that automatic stabilisers are able to operate.
- Simplicity: The rule should be easily understood by decision makers and the public.
- Operational guidance: it should be possible to translate the rule into clear guidance in the annual budget process.
- Resilience: A rule should be in place for a sustained period in order to build credibility, and it should not be easily abandoned after a shock.
- Ease of monitoring and enforcement: compliance with the rule should be easy to verify, and there should be costs associated with deviations from the targets.

The fiscal rules are centred around a fiscal anchor aligned with the MTFS's goal of achieving fiscal sustainability. This anchor guides the development of three operational rules. This structure has been maintained whilst utilising the revised rules.

Too many rules can complicate fiscal policymaking and result in overlap and inconsistency of targets. As such, selected rules need to minimise the trade-off between the above criteria.¹ Based on these criteria, the rule structure set out in Figure 2-3 has been adopted.

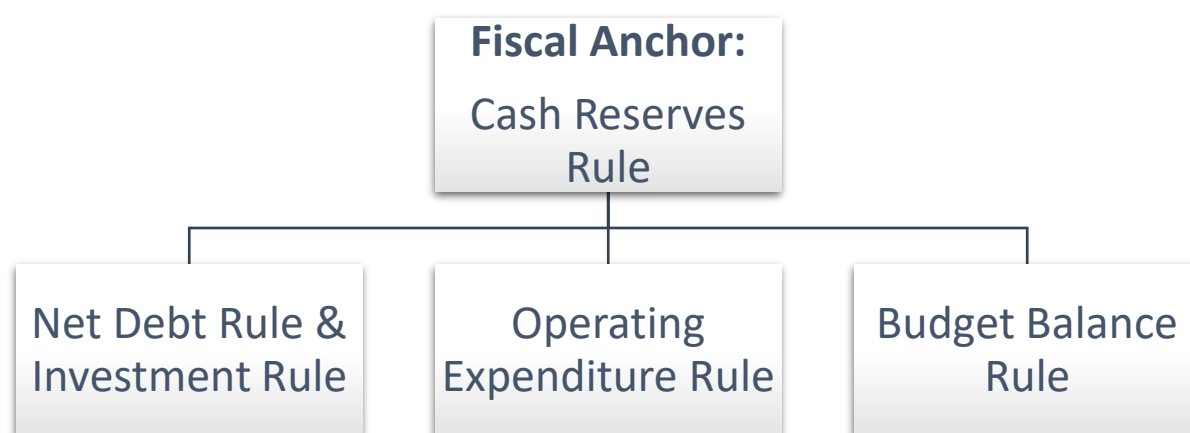
2.1.2.1. New MTFS rule structure

An update to the MTFF² was published in September 2024, establishing new fiscal rules to support the Cook Islands economy as it returns to its pre-COVID levels and continues to recover from the severe impacts of the pandemic. The new fiscal rules are largely similar to the previous rules, with two of the previous rules combined and a new rule concerning the Budget Balance was reintroduced. These changes aim to ensure the government meets its immediate obligations while maintaining sufficient cash reserves, given the high fiscal vulnerabilities from the pandemic and the need to enforce prudence.

¹ IMF, 2018a. Fiscal Policy- How to select fiscal rules: a primer. Fiscal Affairs Department, International Monetary Fund, Washington. March 2018.

² Ministry of Finance and Economic Management Cook Islands. (2024). *Medium-term Fiscal Framework Update – September 2024* – https://www.mfem.gov.ck/files/ugd/dbdf40_355e0a8ebdab49d39831c241e64d6d4b.pdf.

Figure 2-3 New MTFS rule structure



The new fiscal rules and expected performance against these fiscal rules are listed below:

1. **Cash Reserves Rule** – the equivalent of 3 months of operating expenditure must be held in liquid assets at any one time.
2. **Net Debt Rule** – Net debt should not exceed a soft cap of 55 per cent of Gross Domestic Product (GDP), and cannot exceed a hard cap 65 per cent of GDP.
 - a. **Investment Rule** – this is a subset of the Net Debt Rule whereby the government shall commit any additional borrowing above 55 per cent of GDP for capital investment and/or targeted GDP stimulus purposes.
3. **Operating Expenditure Rule** – baseline budgeted operating expenditure cannot grow by more than the greater of two per cent or long-term (five years of non-pandemic impacted growth) nominal GDP growth.
4. **Budget Balance Rule** – the fiscal balance may not exceed a deficit of two per cent of nominal GDP.

For more information on the Fiscal Rules, please visit the MFEM website³.

Prudency

The Government's aim in the development of the fiscal rules is to uphold fiscal prudence, ensuring that spending aligns with revenues and sustainable debt is utilised when necessary. As such, in determining the rules, rounding has been applied to ensure that prudency is reinforced.

Exit clause

Section 23 (4) of the MFEM Act 1995-96 contains an Exit Clause that allows for a temporary departure from the fiscal rules during periods of severe economic shock, enabling a government stimulus response to boost the economy. The government agrees to adhere to the fiscal anchor and operational rules at all times, with two exceptions. The rules may only be breached in the event of a natural disaster (and the subsequent declaration of a state of emergency), or a severe economic shock (defined as real economic growth of negative two per cent or less).

The Exit Clause, which permits a temporary departure from fiscal rules during severe economic shocks, was used to provide flexibility from the 2019/20 Supplementary through to the 2022/23 Budget to address the economic impacts of COVID-19 on the Cook Islands. This clause will remain available to offer flexibility under the new fiscal rules should unforeseen future shocks arise.

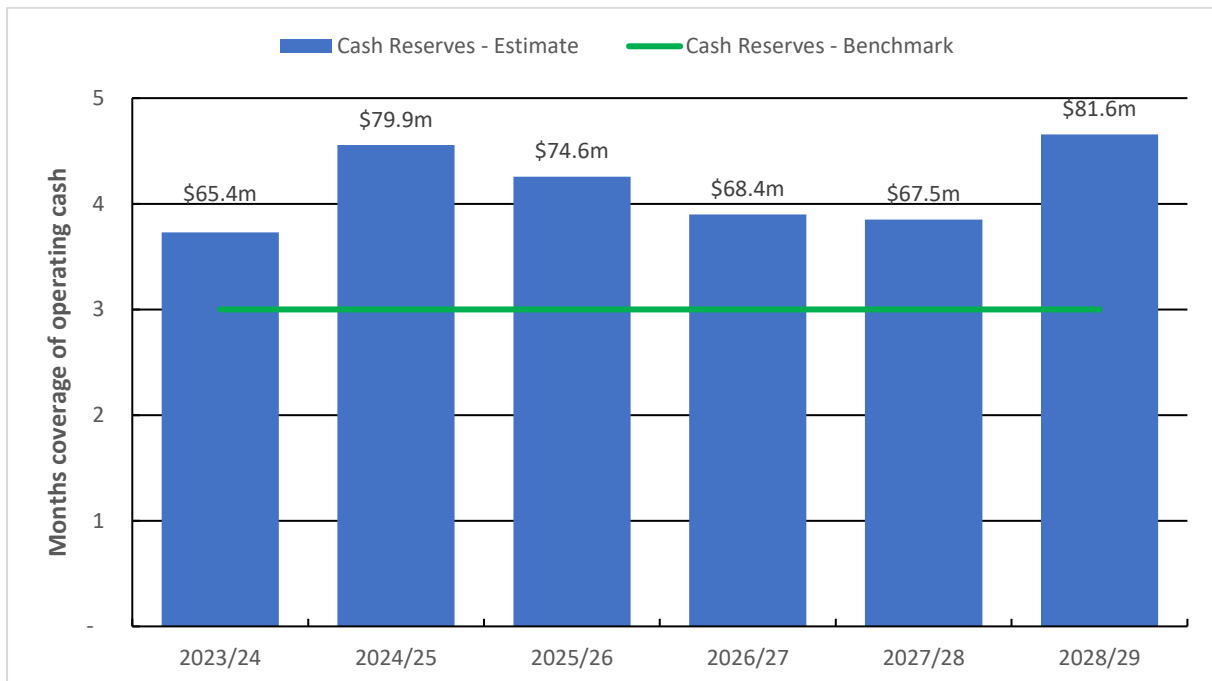
³ Ministry of Finance and Economic Management Cook Islands. (2024). *Medium-term Fiscal Framework Update – September 2024* – https://www.mfem.gov.ck/files/ugd/dbdf40_355e0a8ebdab49d39831c241e64d6d4b.pdf.

2.1.2.2. MTFS Cash Reserves Rule

The Cash Reserves rule requires a prudent level of cash reserves to cover operations. For the Government, this level has been set at three months of operating expenditure, either in cash or liquid cash investments. A reserve equivalent to one month of operating expenditure is considered to be the minimum required for emergency purposes.

Figure 2-4 shows that the government’s cash reserve is expected to remain above the three-month threshold in the medium-term. It also indicates that any cash exceeding this threshold is available to address government priorities, subject to compliance with the other fiscal rules.

Figure 2-4 Cash Reserves rule projections



2.1.2.3. MTFS Net Debt Rule and Investment Rule

The Net Debt rule restricts net debt to a soft cap of 55 per cent of GDP, with a hard cap of 65 per cent of GDP. In addition, the Investment rule applies if borrowing exceeds 55 per cent of GDP, allowing borrowing only for capital investment or targeted GDP stimulus, and requiring a value analysis.

Net debt to GDP measures the level of debt relative to national income and is designed to control the total debt taken on by the government, including state-owned enterprises. The graph below shows a relatively conservative level of net debt compared to national income, with government debt well-below the soft cap (55 per cent) and expected to decrease in the medium-term, reaching 19.5 per cent of GDP by 2028/29. This is primarily due to GDP growth, and some debt repayment.

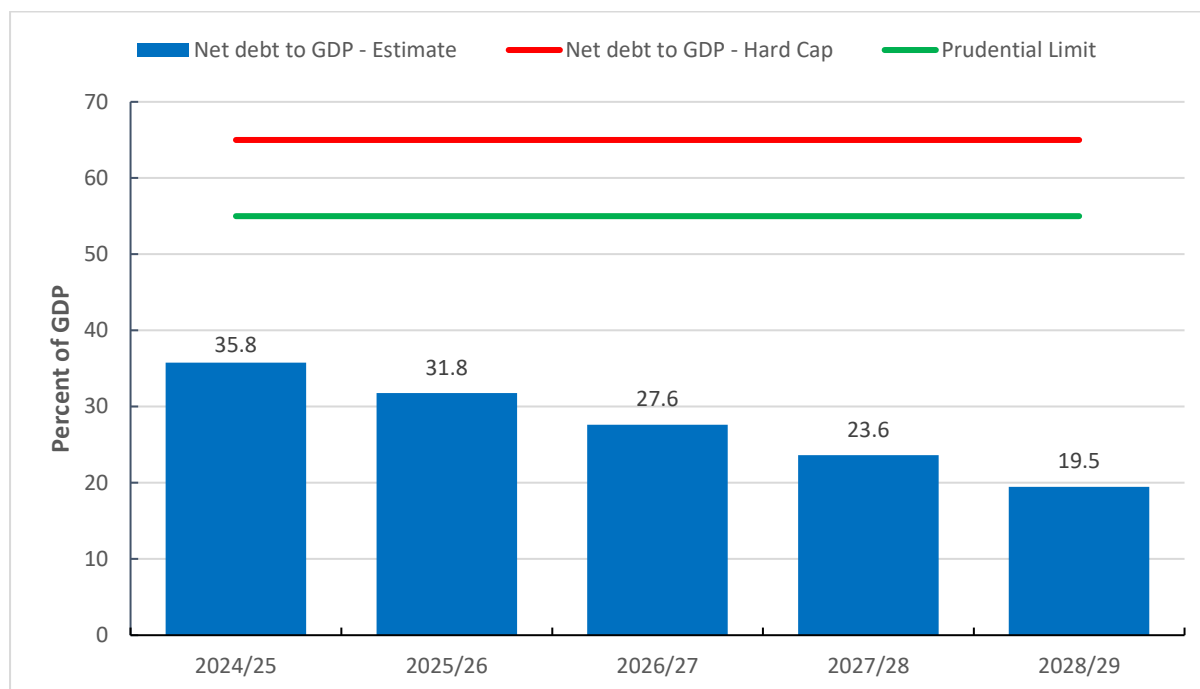
Further revisions have been made to the GDP forecasts and foreign exchange rates since the 2024/25 Budget, which have resulted in the 55 per cent soft cap on borrowings being estimated at approximately \$380.5 million as of 30 June 2025. The government anticipates holding approximately \$253.8 million of debt by the end of 2024/25, with changes in the value of this debt due to a new loan drawdown from the Asian Development Bank⁴ and foreign exchange fluctuations.

⁴ Resilient Transformation Program, Subprogram 1

The government also has a \$33.5 million disaster contingency loan for use in the event of a natural disaster. If drawn down in the 2024/25 fiscal year, gross debt would reach approximately \$287.3 million, and net debt would total 40.7 per cent of GDP.

These ratios should not be viewed in isolation. Any proposal for additional borrowing must be considered within the broader context of the government budget, the Crown’s ability to service debt, and international best practices. This includes prudential requirements set by the Crown’s lenders. Proposals for new loans must be assessed through transparent processes as outlined in the MFEM Act 1995-96 and the *Loan Repayment Fund Act 2014*.

Figure 2-5 Net Debt rule projections



2.1.2.4. MTFS Operating Expenditure Rule

The expenditure rule states that the baseline budgeted operating⁵ expenditure cannot grow by more than two per cent or the average nominal GDP growth over the last five years, excluding pandemic-affected years.

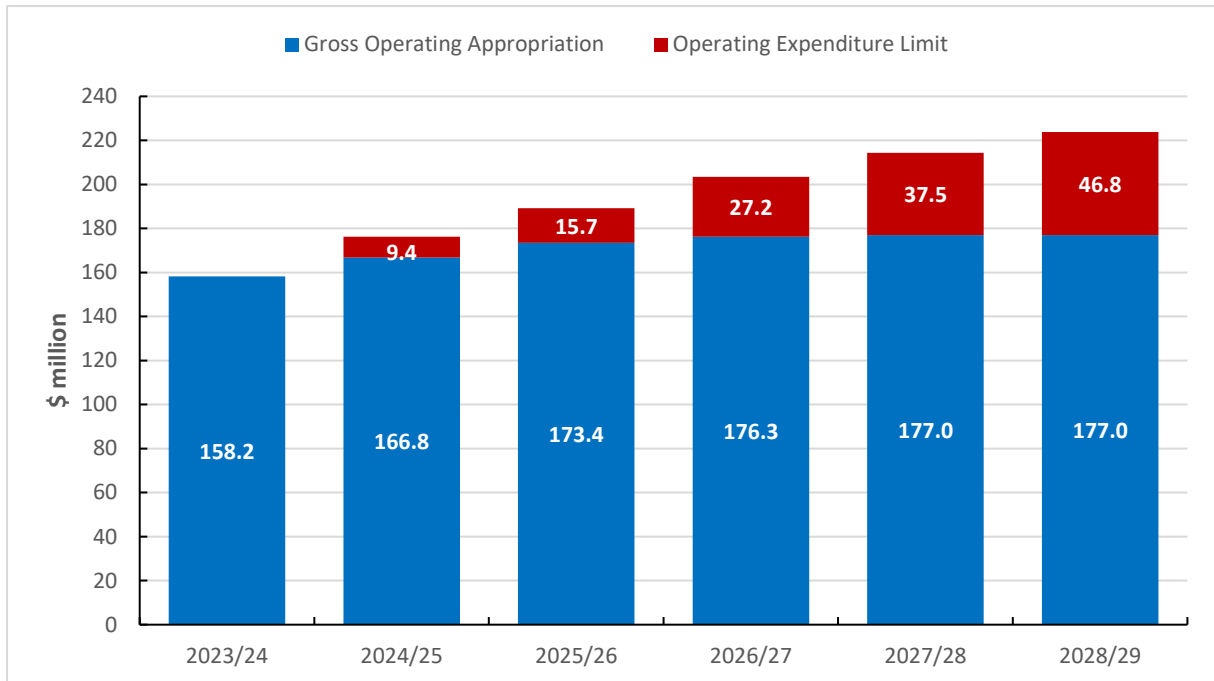
The operating expenditure rule controls government spending by limiting its year-on-year growth to the economy’s capacity to generate resources. This rule applies to the government’s day-to-day operating budget but excludes contractual payments such as loan interest and welfare payments. While these payments are excluded from the rule, they are considered in the total government expenditure ceiling. The operating expenditure rule limits the expansion of operating expenditure during periods of increasing fiscal demand but is superseded by other rules during fiscal contraction periods.

For 2025/26, the rule limits year-on-year growth to a maximum of 7.3 per cent, which reflects the long-run economic growth average of 7.3 per cent over the past five non-COVID affected years, above the default two per cent limit.

⁵ Baseline operating expenditure is defined as total government department expenditure. This is identified as the total Gross Current Appropriation in Schedule 1.

As shown in Figure 2-6, the operating expenditure profile from 2025/26 (from the 2024/25 Budget) remains comfortably within the limit for the following years. Through the 2025/26 Budget process, much of this space is expected to be used to address government priorities and pressures. This low growth in operating expenditure reflects fiscal restraint in recent Budgets, which have laid the foundation for responsible fiscal management moving forward.

Figure 2-6 Operating Expenditure rule growth projections

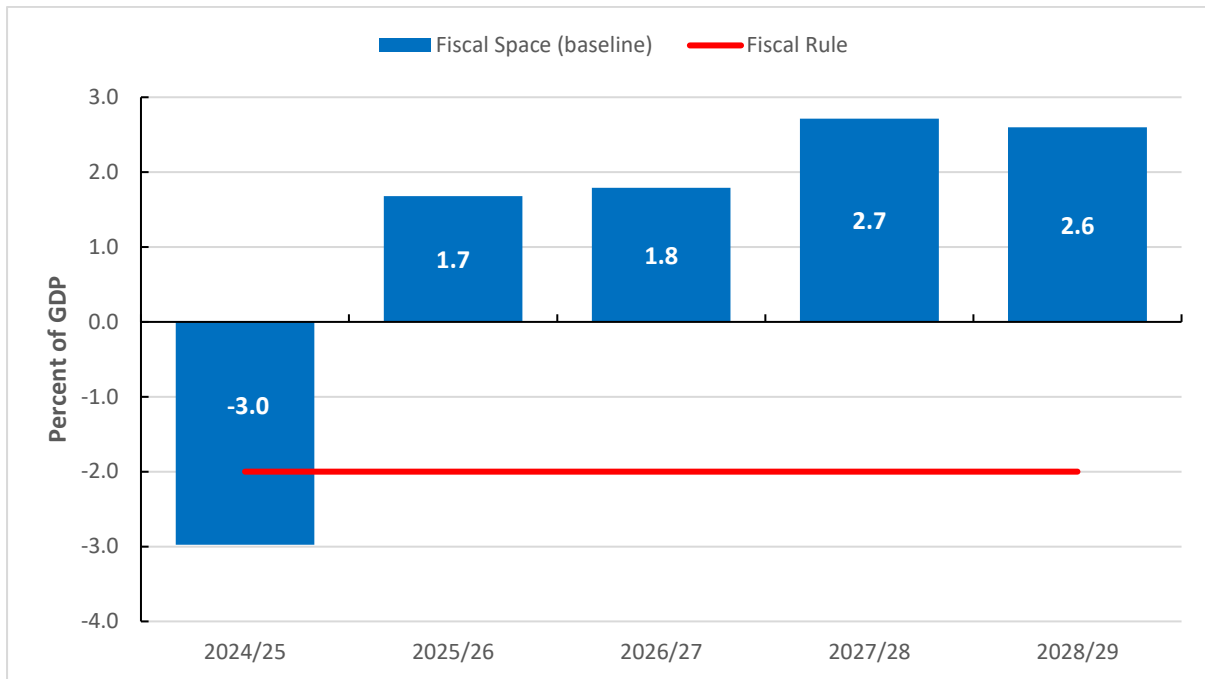


2.1.2.5. MTFS Budget Balance Rule

The budget balance rule limits any fiscal deficit to no more than 2.0 per cent of GDP. This rule allows for borrowing to make investments in infrastructure and other needs, but limits this to a sustainable level.

As shown in Figure 2-7, the fiscal balance projected over the forward years, based on the 2024/25 Budget, remains well within the established limit, with the exception of 2024/25. This year has been heavily impacted by the large amount of carry-forward expenditure from 2023/24, and adjusting for this results in a fiscal deficit of 0.2 per cent of GDP. Even with full utilisation of the proposed fiscal space, the projections demonstrate a sustainable fiscal position throughout the period.

Figure 2-7 Fiscal balance rule projections



2.2. Medium-term National Priorities

The National Sustainable Development Agenda (NSDA) 2020+ outlines the Government’s medium-term objectives and serves as a guide for establishing and applying Medium-term Expenditure Ceilings (MTEC) at the agency level. To enhance the alignment between fiscal planning and national priorities, the MTFs integrates the Medium-term National Priorities, which are set based on the NSDA.

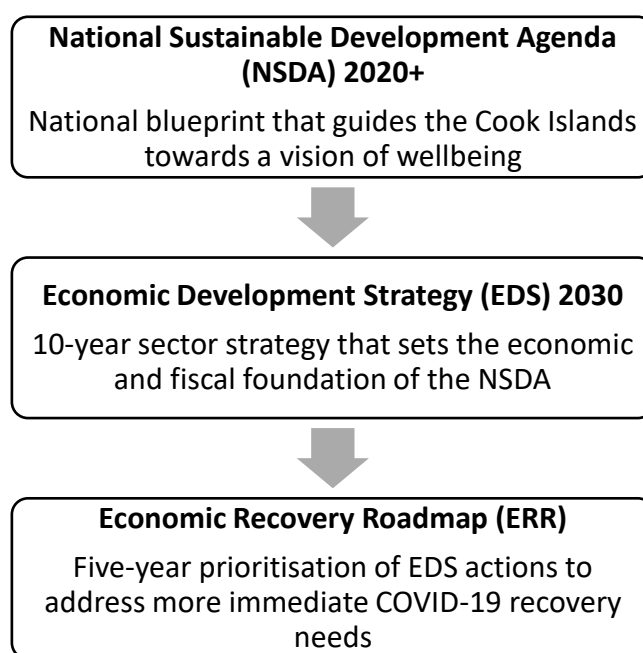
In October 2024, the Public Sector Leader’s Conference brought together senior officials from across the Government to identify and establish priorities for the 2025/26 Budget process, guided by the NSDA framework. These discussions highlighted the following key areas as priorities for government resourcing:

- **People and workforce development:** Sustaining a high level of public service remains a core priority, with a focus on investing in the government workforce. Key areas include recruitment, retention, professional development, and addressing salary concerns, with an emphasis on retaining and attracting Cook Islanders where possible.
- **Education investment and pathways:** Identified as critical to the nation’s future, investments in education will focus on building a stronger system and creating clearer pathways to help students excel and contribute to the Cook Islands in the 21st century.
- **Health and wellbeing:** the significant impact of non-communicable diseases (NCDs) and other health challenges underscores the importance of increased investment in health and wellbeing initiatives.
- **Adoption of new technology:** Modernising the Government through the implementation of the National Digital Strategy is essential. Investments will focus on digital innovations and infrastructure improvements to support the nation’s technological progress.

2.2.1. Economic Development Strategy 2030 and Economic Recovery Roadmap

The Economic Development Strategy (EDS) aims to build a dynamic, prosperous, and inclusive future for Cook Islanders, focusing on equity, economic transformation, cultural development, island investment, and environmental sustainability. Complementing this, the Economic Recovery Roadmap (ERR) replaced the Economic Response Plan (ERP) in 2021/22 to drive sustainable economic recovery post-pandemic, aligning with EDS objectives. The ERR focuses on reducing borrowing costs, managing public debt, improving infrastructure, addressing business barriers, boosting productivity, enhancing public sector efficiency, strengthening the labour force, and encouraging beneficial foreign investment. Together, the EDS and ERR work towards fostering a resilient, equitable, and sustainable economy. Figure 2-8 shows the relationship between the NSDA, the EDS and the ERR.

Figure 2-8 Relationship between key development documents



2.3. Assumptions underlying the economic and fiscal projections

Various assumptions have been made to forecast the Cook Islands economic outlook and the Government's fiscal performance and position in the outer years.

2.3.1. Economic assumptions

2.3.1.1. Introduction

The Cook Islands National Statistics Office (NSO) publishes current price and real price (2016 base year) estimates of GDP on a quarterly basis, using the production approach. GDP production estimates are disaggregated by major industry classifications, including institutional sectors. The latest data received from the NSO relates to the June quarter 2024.

2.3.1.2. Gross Domestic Product production model

A Computable General Equilibrium (CGE) modelling approach has been used to forecast aggregate GDP and a number of key variables in a manner that is internally consistent and uses economic relationships to determine how shocks permeate through the economy. This approach provides both real and nominal changes in variables over the period from 2024/25 to 2028/29 such as:

- Gross domestic product
- Trade aggregates
- Investment and savings
- Household consumption
- Consumer Price Index
- Wages
- Operating surpluses

This model was developed using technical assistance from the Asian Development Bank and utilising a wide range of data sources.

2.3.1.3. Data

The key data sets used for the model are:

- Nominal GDP – quarterly data to June 2024
- Real GDP – quarterly data to June 2024
- Trade, imports, and exports – monthly data to June 2024
- Consumer Price Index – quarterly index data to September 2024
- International arrivals – Customs and Immigration monthly data to September 2024
- Building approvals – quarterly data to June 2024

2.3.1.4. Key economic indicator assumptions

Nominal GDP is expected to grow by:

Year	2024/25	2025/26	2026/27	2027/28	2028/29
Per cent (%)	4.8	3.9	4.5	4.2	4.3

Growth in prices, measured through the movements in the CPI, is expected as follows:

Year	2024/25	2025/26	2026/27	2027/28	2028/29
Per cent (%)	2.3	2.0	2.2	2.6	2.4

Refer to Chapter 4 for more information on the economic forecasts and indicators.

2.3.2. Fiscal assumptions

The Government's expected fiscal performance over the forward period relies on the following assumptions:

- operating revenues are forecast on the basis of historical actuals, and one-off considerations, but assume no change to the tax revenue structure
- operating expenditure movements reflect current government policy commitments; and
- the level of government borrowing is based on exchange rates derived using Consensus Economics forecasts.

2.4. Fiscal Risks

The IMF describes fiscal risks as “variations in fiscal outcomes from what was anticipated during the Budget planning process”. It identifies several sources of fiscal risk, including:

- shocks to macroeconomic variables, such as economic growth, commodity prices, interest rates, or exchange rates; and
- calls on contingent liabilities, obligations triggered by an uncertain event, including explicit and implicit liabilities such as those created by public corporations and sub-national governments.⁶

The risk factors affecting the Cook Islands are outlined below. While these have not been directly incorporated into the economic forecasts mentioned earlier, they have influenced the development of the MTFs.

2.4.1. Risk Categories

Several risks could impact the macroeconomic forecasts supporting the Government’s forward fiscal position over the budget period. These are outlined below in no particular order.

2.4.1.1. Global Economic Risks

In the global economy, the IMF's October 2024 *World Economic Outlook* highlights that risks to the outlook are broadly balanced. Global economic risks have eased over the past 12 months, shifting the balance of potential outcomes for global growth to a more neutral position compared to the clear downside risks identified earlier last year. Inflationary pressures are subsiding faster than anticipated in many regions, creating a similarly balanced outlook for inflation. While there is potential for positive surprises in the global economy, various adverse risks remain that could affect outcomes, particularly related to conflicts which may impact supply chains.

This shift in the global economic landscape is significant for the Cook Islands, given its reliance on international trade, tourism, and external aid. A more balanced global economic outlook, particularly with reduced inflationary pressures, could lead to increased tourism demand and lower import costs, benefiting the local economy. However, as a small, open economy the Cook Islands remains subject to adverse risks in the world economy which emphasises the importance of robust planning.

A constraint impacting the tourism market, particularly during the last two high seasons was been limited airline capacity from New Zealand. In 2024, and looking forward into 2025, airline route development has increased airline capacity from Australia, Tahiti and Hawaii, offering greater access to the Northern Hemisphere. A decline in this capacity would negatively affect the Cook Islands economy. Likewise, as New Zealand represents the largest portion of the tourism market, an extended economic downturn there could lead to a decrease in visitors from New Zealand.

Another significant risk is if the easing of global inflationary pressures were to reverse, through some geopolitical upheaval or other factors. Inflation erodes the real incomes of people in the Cook Islands and in key tourist source markets, making discretionary spending, such as travel, less affordable. On a larger scale, it can also deter foreign direct investment. These challenges are shared by many countries in the region and continue to be a major pressure point for businesses and individuals across all sectors.

Finally, the Cook Islands face risks from exchange rate fluctuations due to several loans denominated in US dollars and other foreign currencies. Such fluctuations can significantly affect the country’s debt

⁶ IMF 2009, Fiscal risks: sources, disclosure, and management. IMF Fiscal Affairs Department. See: <https://www.imf.org/external/pubs/ft/dp/2009/dp0901.pdf>.

portfolio, with the IMF highlighting that exchange rate depreciations can have particularly pronounced effects when a large share of debt is in foreign currency. The potential implications of exchange rate movements on the Cook Islands' debt are analysed in section 2.4.2 below.

2.4.1.2. Natural Disasters

The IMF highlights that natural disasters in developing countries have frequently caused economic losses exceeding 10.0 per cent of GDP, while in some advanced economies, losses have been a few percentage points of GDP.

The Cook Islands is highly exposed to disaster risks due to its location within the South Pacific cyclone belt, the remote and low-lying nature of many Pa Enua islands, and the concentration of buildings and infrastructure near the coastline, especially in Rarotonga. Additionally, the economy's reliance on tourism revenue makes it particularly vulnerable to the impacts of disasters.

A severe weather event, such as a cyclone, would significantly affect the Cook Islands' economic outlook and fiscal position. The Asian Development Bank (ADB), in its 2016 report on a loan proposal for the Cook Islands Disaster Resilience Program, noted that the country has historically experienced major cyclones causing substantial economic losses and, at times, loss of life (see Table 2-2).

Table 2-2 Significant cyclones in the Cook Islands

Year	Name	Category	Estimated losses (\$m)	Estimated losses (% of GDP)
1987	Sally	2	24.6	51.6
1997	Martin	3	7.5	7.6
2005	Meena	4	10.0*	5.5
	Nancy	4		
	Olaf	5		
	Percy	5		
2010	Pat	2	7.8	3.2

* Combined estimated losses for all four cyclones in 2005.

To address the economic risks posed by natural disasters, the Government has established various mechanisms to minimise its financial exposure, 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.
- arranging a Disaster Recovery Mechanism loan from the ADB of \$33.5 million, which will only be triggered and drawn down in the event of a catastrophe.

2.4.1.3. Contingent liabilities

The Government's contingent liabilities are summarised in Table 2-3. Adjustments have been made to some contingent liabilities since the publication of the 2024/25 Budget in May 2024.

Table 2-3 Quantifiable contingent liabilities, as at 1 December 2024

Category	\$'000
Guarantees and indemnities	50
Uncalled capital	2,600
Legal proceedings and disputes	3,900
Vested Assets	24,800
Total	31,350

2.4.1.4. Guarantees and indemnities

In 2011/12, the Government entered into a program under the New Zealand Aid programme, specifically targeting support for the Pearl Sector. This program, formerly managed by the Cook Islands Pearl Authority, is now administered by the Ministry of Marine Resources.

The Government guaranteed up to \$500,000 as security for loans associated with the Pearl Production Credit Scheme. The loan program has been discontinued, however there is an outstanding debt on the loan scheme of approximately \$50,000. A solution to close this contingent liability is still ongoing.

2.4.1.5. Uncalled capital

Through the Cook Islands Property Corporation, the Government holds \$1.9 million in uncalled shares with the Asian Development Bank (ADB), represented by 88 shares with a par value of USD 13,500 each.

In addition, the Government holds \$0.6 million in uncalled shares with the Asian Infrastructure Investment Bank (AIIB) consisting of four shares with a par-value of USD 100,000 each.

Table 2-4 Uncalled Capital Breakdown

Party	Shares	USD per share (\$)	NZD Value (\$)
Asian Development Bank	88	13,500	1,922,330
Asian Infrastructure Investment Bank	4	100,000	647,249
Total		1,588,000	2,569,579
Foreign Exchange Rate (USD/NZD)	1.62		

The above total has been rounded up for conservatism in the total of Contingent Liabilities.

2.4.1.6. Legal proceedings and disputes

This contingency consists of various cases and is an estimate of the maximum potential liability (damages and costs) of the Crown known at the time of publication.

2.4.1.7. Vested Assets

The *International Companies Act 1981-82* states that all monies realised from the International Company assets vesting in the Registrar must be lodged to the Public Account. There remains a claimable period of six years, post the International Company de-registration for owners of vested assets to place a claim on the funds owed to them. The total contingent liability for vested interests consists of tranches presented in Table 2-5.

Table 2-5 Vested Asset Contingent Liability Expiry Schedule

Tranche	Expiry Date	Value (\$'000)
1	20/12/2024	7,212
2	31/10/2026	3,655
3	31/10/2026	5,813
4	01/09/2027	5,667
5	11/10/2028	2,520
6	30/10/2029	358
Total		25,226

The above total has been rounded up for conservatism in the total of Contingent Liabilities.

2.4.1.8. Financial liabilities relating to Island Governments

The Ministry of Finance and Economic Management (MFEM) confirms that no contracts or securities from Island Governments have been approved that could result in potential liabilities. Island Governments do not receive preferential treatment concerning public or other liabilities, and the likelihood of such liabilities arising remains minimal. No additional risk mitigation measures have been implemented beyond those applied to other government agencies on Rarotonga.

However, unsettled invoices present a potential challenge that may require stricter financial controls than those outlined in the *Cook Islands Financial Policies and Procedures Manual*, the MFEM Act 1995-96, and the *Public Expenditure Review Committee and Audit (PERCA) Act 1995-96*. While MFEM is implementing a Financial Management and Information System (FMIS) to improve the efficiency of invoice processing and record-keeping, the manual nature of certain billing processes means that this risk cannot be fully eradicated.

2.4.1.9. State-owned enterprises

The Cook Islands Government manages several State-Owned Enterprises (SOEs) through the Cook Islands Investment Corporation (CIIC). These include the Airport Authority of the Cook Islands, Bank of the Cook Islands, Cook Islands Ports Authority, Te Aponga Uira (electricity utility in Rarotonga), Te Mana Uira (electricity utility in Aitutaki), To Tatou Vai Limited (water and sanitation), and Avaroa Cable Limited (Manatua cable project).

Key risks associated with SOEs include poor financial performance and excessive borrowing, which may lead to government intervention through debt guarantees or restructuring, often at significant fiscal cost. Factors contributing to these risks include external shocks such as natural disasters, lack of competitive incentives compared to private enterprises, and government-mandated community obligations.

To mitigate these risks, the Government has implemented several measures, including placing all SOEs under CIIC for efficient and professional management, requiring SOE debt to align with government debt ceiling targets and undergo a Debt Sustainability Analysis under the *Loan Repayment Fund (LRF) Act 2014*, and allocating a portion of SOE debt repayments within the LRF.

2.4.2. Assessing the impact of fiscal and macroeconomic shocks

2.4.2.1. Introduction

The Cook Islands Government utilises an analytical tool – the Cook Islands Fiscal Tool – to first calibrate, and then operationalise the revised set of fiscal rules that form the core of the MTFs.

The operational part of the fiscal tool – the Fiscal & Macro Impact Model – models the interactions between fiscal policy decisions and economic output, and the fiscal impact of economic shocks, within the framework of the revised set of fiscal rules. This is accomplished by running fiscal and macroeconomic shocks through a simple version of the Cook Islands Government accounting framework using fiscal multipliers and tax impact models.

The model provides for three types of shocks:

- Fiscal – change in operating expenditure, capital expenditure and/ or revenue
- GDP – models the impact of a direct change in GDP
- Arrivals – models the impact of a change in the number of international visitors to the Cook Islands.

The Cook Islands Government also conducts sensitivity analysis on movements in the value of the New Zealand dollar against the Government’s major trading currencies to assess the impact on gross debt and debt servicing requirements.

This section shows the potential impact of a selected range of fiscal and macroeconomic shocks on the 2024/25 HYEFU profile using the fiscal impact tool.

Fiscal shocks, or government fiscal policy decisions are evaluated in terms of their direct impact on fiscal indicators (referred to as first-order impacts) and, changes in GDP flowing through to tax revenues (known as second-order impacts). The first order impacts are one-for-one changes in the baseline operating expenditure, capital expenditure or tax revenue, as relevant. The second order impacts are estimated using fiscal multipliers and a simple tax impact model.

Revenue shock

Two revenue shocks are applied: low and high, increasing and decreasing the forecasts by a simultaneous amount. These shocks are applied to the base case outlined below.

The low-revenue case, where revenues fall by 10 to 20 per cent annually throughout the modelling period, is presented in Table 2-6. This shock causes the fiscal balance to fall beyond the Budget Balance rule of 2.0 per cent of GDP in all years.

Table 2-6 Low revenue shock

		2024/25	2025/26	2026/27	2027/28
Change in opex (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		-22.7	-28.4	-33.9	-40.2
Fiscal balance (% of GDP)	Base	-3.0	1.7	1.8	2.7
	Shock	-6.3	-2.3	-2.7	-2.4

The high-revenue case, with revenues higher by 10 to 20 per cent annually over the modelling period, is presented in Table 2-7. The key result is a strong fiscal surplus in each year, exceeding five per cent of GDP from 2025/26.

Table 2-7 High revenue shock

		2024/25	2025/26	2026/27	2027/28
Change in opex (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		22.7	28.4	33.9	40.2
Fiscal balance (% of GDP)	Base	-3.0	1.7	1.8	2.7
	Shock	0.3	5.6	6.3	7.9

Operating shock

A higher-than-expected operating expenditure shock is applied, assuming a 10 per cent increase above the estimates for the forward period. The effects of this additional expenditure are outlined in Table 2-8. The fiscal balance experiences a decline becoming negative in the forward years which were previously surpluses. However, there is a positive impact on GDP, approximately 1 per cent per year, after three years.

Table 2-8 High Opex Shock

		2024/25	2025/26	2026/27	2027/28
Change in opex (\$m)		22.0	21.0	21.0	21.0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		0.6	1.9	4.0	5.6
Fiscal balance (% of GDP)	Base	-3.0	1.7	1.8	2.7
	Shock	-6.0	-0.9	-0.4	0.8
Impact on nominal GDP (%)	%	0.0	0.5	1.1	1.4
	\$m	0.0	3.5	7.9	11.1

Capital shock

A lower-than-expected capital expenditure shock is applied, assuming a 20 per cent reduction in the estimates for the forward period.

The impact of the reduced expenditure over the modelling period is presented in Table 2-9. The negative impact on GDP of about \$5.1 million per year by 2027/28 has a flow-on effect on revenue of \$2.8 million. The net effect on the fiscal balance is slightly positive, with the capital expenditure reduction barely outweighing the fall in revenue, especially in the outer years.

Table 2-9 Low Capex Shock

		2024/25	2025/26	2026/27	2027/28
Change in opex (\$m)		0	0	0	0
Change in capex (\$m)		-5.0	-3.0	-4.0	-4.0
Change in tax revenue (\$m)		-0.4	-1.0	-1.9	-2.8
Fiscal balance (% of GDP)	Base	-3.0	1.7	1.8	2.7
	Shock	-2.3	2.0	2.0	2.9
Impact on nominal GDP (%)	%	0.0	-0.3	-0.5	-0.7
	\$m	0.0	-2.1	-3.9	-5.1

GDP shock

A low GDP shock is applied, assuming a 5 per cent decrease on the forecast for each year of the forward period, and is presented in Table 2-10. Tax revenue falls by \$16.4 million in 2025/26, causing the fiscal balance to fall from a surplus of 1.7 per cent of GDP to a deficit of 0.6 per cent of GDP. The GDP impact in 2027/28 is around seven per cent, or a reduction of almost \$60 million.

Table 2-10 Low GDP Shock

		2024/25	2025/26	2026/27	2027/28
Change in opex (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		-8.1	-16.4	-26.3	-31.3
Fiscal balance (% of GDP)	Base	-3.0	1.7	1.8	2.7
	Shock	-4.4	-0.6	-1.8	-1.4
Impact on nominal GDP (%)	%	-4.8	-6.6	-7.5	-7.5
	\$m	-33.1	-47.9	-56.5	-59.0

Arrivals shock

A low international visitor arrivals shock is applied, assuming a 5 per cent decrease on the forecast for each year of the forward period, and is presented in Table 2-11. Tax revenue falls by over \$12 million per year by 2027/28, which reduces the fiscal balance by approximately 1.5 percentage point per year. The impact on GDP grows along with the arrivals profile, and exceeds three per cent in most years.

Table 2-11 Low Arrivals Shock

		2024/25	2025/26	2026/27	2027/28
Change in opex (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		-0.8	-3.7	-7.6	-12.3
Fiscal balance (% of GDP)	Base	-3.0	1.7	1.8	2.7
	Shock	-3.2	1.2	0.8	1.2
Impact on nominal GDP (%)	%	-2.2	-3.0	-3.4	-3.4
	\$m	-15.0	-21.7	-25.7	-26.9

Severe arrivals shock

In the context of the COVID-19 experience, a severe low international visitor arrivals shock is applied, assuming a 50 per cent decrease on the forecast for 2024/25, and a 25 per cent decrease in 2025/26. The impact of the reduction in arrivals is presented in Table 2-12. Tax revenue falls by over \$30 million per year by 2027/28, which reduces the fiscal balance by over four percentage points in that year.

The impact on GDP is over 19 per cent of GDP in each of the shocked years. The lack of change in operating expenditure does not reflect any specific decisions which may be taken by government if this situation were to occur, such as the Economic Response Plan that was enacted in response to the pandemic.

Table 2-12 Severe Low Arrivals Shock

		2024/25	2025/26	2026/27	2027/28
Change in opex (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		-8.0	-23.6	-28.9	-32.8
Fiscal balance (% of GDP)	Base	-3.0	1.7	1.8	2.7
	Shock	-5.3	-2.0	-2.2	-1.5
Impact on nominal GDP (%)	%	-21.7	-19.2	-8.2	-2.0
	\$m	-150.4	-138.6	-61.5	-15.7

Exchange rate shock

Chapter 6 sets out the Cook Islands Government's current and future debt position. A key ongoing risk to the Crown's debt liability is movement in the value of the New Zealand Dollar (NZD) against the currencies in which the Crown's loans are denominated.

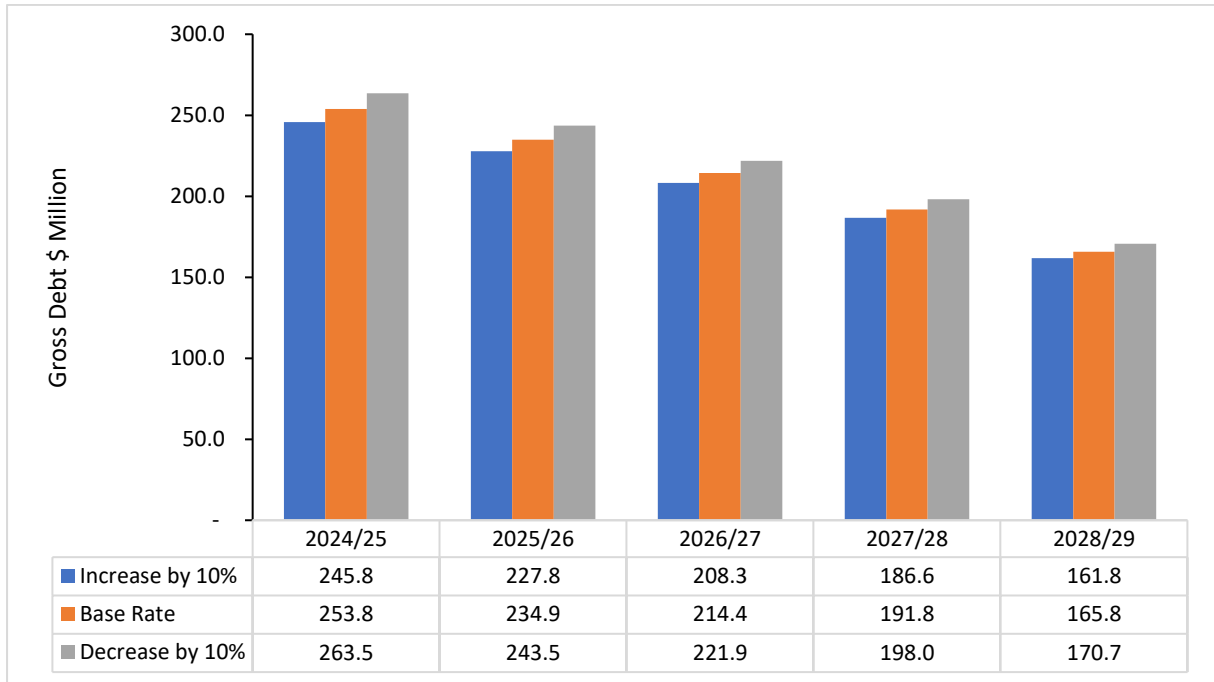
The sensitivity analysis considers the impact of a 10 per cent appreciation and depreciation of the NZD against key currencies to determine the impact on the gross borrowings and the debt servicing cost.

Table 2-13 Exchange rates assumptions +/- 10 per cent

Foreign Exchange Currency	-10%	HYEFU Base rate	+10%
EUR	0.5056	0.5618	0.6180
USD	0.5562	0.6180	0.6798
RMB	3.9557	4.3952	4.8347
SDR	0.4281	0.4756	0.5232

If the relevant NZD exchange rates were to depreciate by 10 per cent against foreign currencies, Crown debt as at June 2025 would increase by an estimated \$9.7 million compared to a decrease of \$8.0 million if the NZD were to appreciate by 10 per cent. This illustrates that the Crown's gross debt level is more adversely sensitive to depreciation of the NZD.

Figure 2-9 Sensitivity of gross debt to NZD movements



3. Fiscal Update

This chapter provides an overview of the Government’s revenue and expenditure for the 2023/24 fiscal year. It also details revisions to forecasted revenue and expenditure for medium-term. However, it does not incorporate projected changes outlined in the Medium-term Fiscal Strategy (MTFS) or consider the use of debt to address financing gaps. Readers are encouraged to review this chapter alongside Chapter 2 for a comprehensive understanding of the forecasts.

3.1. Fiscal Performance Overview

For the 2023/24 fiscal year, the Government recorded an operating surplus of \$12.2 million, compared to the previously anticipated operating surplus of \$12.4 million presented in the 2024/25 Budget.

Revenue Performance

- Total operating revenue for 2023/24 was \$205.6 million, \$2.2 million less than estimated.
- The decline was largely due to a downward revision of other (non-taxation) revenue by \$4.5 million, driven by a number of revenue types returning slightly less than budgeted, including immigration fees, fishing revenues and dividends.
- Taxation revenue increased by \$2.3 million, with some movements in both directions across the different tax types.

Expenditure Performance

- Total operating expenditure has decreased by \$2.0 million, as estimated in the 2024/25 Budget, to \$193.4 million. This reduction is due to timing issues in expenditure, resulting in the carry-forward of some unspent funds to complete ongoing work programmes.
- Capital expenditure for 2023/24 amounted to \$15.9 million, reflecting a decline from \$22.4 million in the previous year. This reduction was driven by supply and capacity constraints.

Fiscal Balance

- The fiscal balance for 2023/24 was a surplus of \$9.8 million, factoring in capital expenditure and depreciation.

Cash Reserves and Debt Position

- General cash reserves stood at \$65.4 million, above the estimated \$61.8 million and comfortably above the three-month threshold for operating expenditures.
- Net debt, including debt with state-owned enterprises (SOEs), was \$216.3 million at year-end.

This fiscal performance reflects the combined impacts of reduced revenue, increased operating expenditures, and challenges in executing capital projects, highlighting areas for ongoing fiscal management improvements.

Table 3-1 outlines the Government’s revised fiscal position and medium-term projections.

Table 3-1 Fiscal Indicators Summary

	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Statement of Financial Performance						
Taxation Revenue (\$m)	167.4	180.9	182.4	191.2	196.9	204.8
Social Contributions (\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenue (\$m)	38.2	28.3	26.2	26.9	28.9	29.6
Total Operating Revenue (\$m)	205.6	209.1	208.6	218.1	225.8	234.3
Total Operating Revenue Percentage of GDP	31.1	32.5	30.1	30.2	30.0	29.9
Tax Revenue Percentage of GDP	25.3	28.1	26.3	26.5	26.1	26.1
Total Cyclical Revenue (\$m)	13.1	14.8	12.7	13.4	14.4	14.4
Total Cyclical Revenue Percentage of GDP	2.0	2.3	1.8	1.9	1.9	1.8
Total Structural Revenue (\$m)	192.5	194.3	195.9	204.6	211.3	219.9
Total Structural Revenue Percentage of GDP	29.1	30.2	28.3	28.4	28.1	28.0
Personnel (\$m)	72.4	79.7	80.5	81.2	83.0	83.6
Percentage of Total Revenue	35.2	38.1	38.6	37.2	36.8	35.7
Percentage of Structural Revenue	37.6	41.0	41.1	39.7	39.3	38.0
Total Operating Expenditure (\$m)	193.4	206.1	218.1	206.6	208.9	208.9
Percentage of GDP	29.2	32.0	31.4	28.7	27.7	26.6
Percentage of Operating Revenue	94.1	98.5	104.5	94.8	92.5	89.1
Baseline Operating Expenditure (for Fiscal Rule)	165.0	168.9	166.8	173.4	176.3	177.0
Cash Operating Expenditure*	179.6	190.9	202.8	191.3	194.2	193.6
Operating Balance (\$m)	12.2	3.1	-9.5	11.4	16.9	25.4
Percentage of GDP	1.8	0.5	-1.4	1.6	2.2	3.2
Capital Expenditure	15.9	19.1	26.4	14.7	18.8	19.7
Depreciation	13.5	15.3	15.3	15.3	15.2	15.2
Non-Operating Balance (\$m)	-31.5	-37.0	-5.2	-35.2	-41.5	-44.8
Fiscal Balance surplus/deficit (\$m) *	9.8	-0.7	-20.6	12.0	13.2	20.9
Percentage of GDP	1.5	-0.1	-3.0	1.7	1.8	2.7
Statement of Financial Position (\$m)						
Assets (\$m)	610.9	683.7	683.7	686.7	683.0	685.6
Liabilities (\$m)	406.5	438.6	438.6	419.6	399.2	376.5
Crown Balance (\$m)	204.4	245.1	245.1	267.1	283.9	309.0
Percentage of GDP	30.9	38.1	35.3	37.0	37.7	39.4
Working Capital (\$m)	61.8	76.3	76.3	71.1	64.8	64.0
Working Capital (months coverage)	4.1	4.8	4.5	4.5	4.0	4.0
Stabilisation Account	3.5	3.5	3.5	3.5	3.5	3.5
General Cash Reserves	65.4	79.9	79.9	74.6	68.4	67.5
Statement of Borrowings (\$m)						
Gross Debt end of FY (\$m)	221.7	253.8	253.8	234.9	214.4	191.8
Gross Debt, Percentage of GDP	33.5	39.4	36.6	32.6	28.5	24.4
Net Crown Debt, end of FY (\$m)	216.3	248.2	248.2	229.0	208.1	185.3
Net Debt, Percentage of GDP	32.7	38.6	35.8	31.8	27.6	23.6
Loan Repayment Reserves Held (\$m)	5.4	5.6	5.6	5.9	6.3	6.5
Net Debt Servicing (\$m)	22.9	25.1	24.9	26.9	28.4	30.0
Percentage of Total Revenue	11.1	12.0	11.9	12.3	12.6	12.8
Percentage of Structural Revenue	11.9	12.9	12.7	13.2	13.4	13.6
Development Partner Support (\$m)						
Grants (\$m)	14.3	90.0	90.0	38.9	14.0	10.2
Percentage of GDP	2.2	14.0	13.0	5.4	1.9	1.3
Memo item: Nominal GDP (\$m)	661.7	643.9	693.6	720.9	753.3	784.7

3.2. Fiscal Rules

This section presents the Government’s performance for the 2023/24 fiscal year in relation to the fiscal rule only. It does not encompass proposed funding adjustments outlined in the MTF5, or address the resolution of any financing gap, as these are discussed in the rules detailed in Chapter 2.

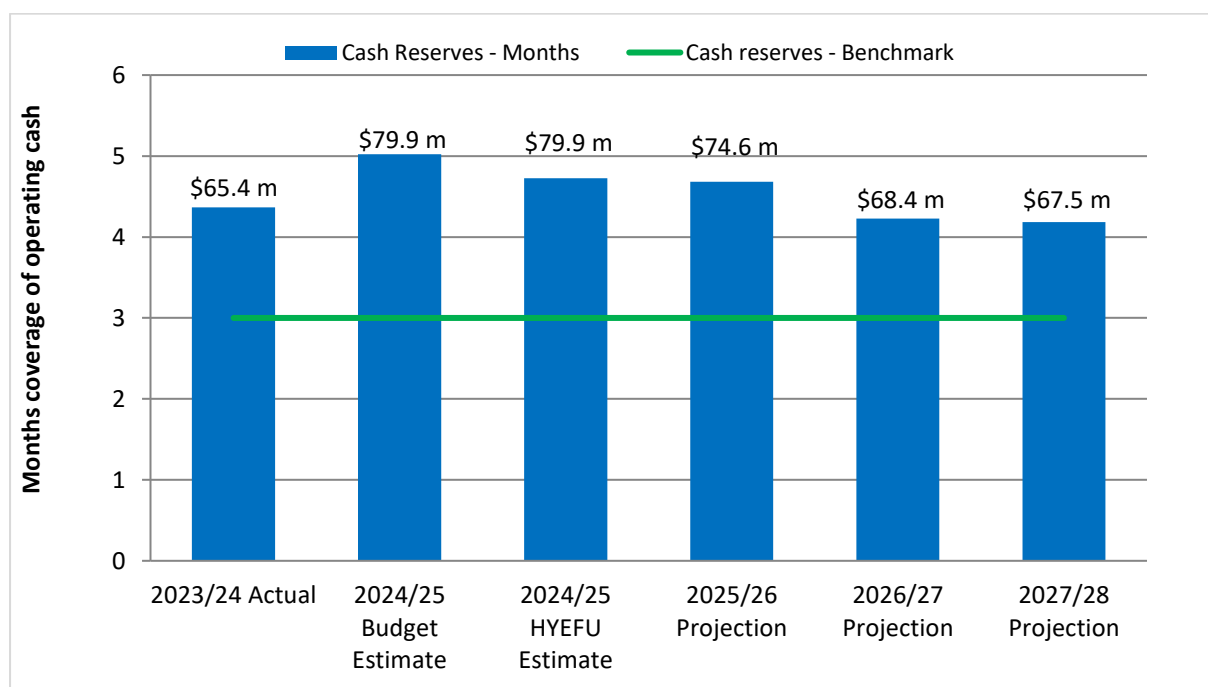
3.2.1. Cash Reserves rule

The Cash reserves rule requires three months of reserves, either in cash or liquid cash investments, to cover government operations.

The general cash reserves as at 30 June 2024, amounting to \$65.4 million, equate to just over four-months’ worth of cash available for covering government’s operating expenditure. This has been bolstered by the surplus balance in 2023/24.

The cash reserve for 2024/25 is projected to remain consistent with the levels reported in the 2024/25 Budget. This stability is attributed to delays in both operating and capital expenditures, as well as increased revenue inflows.⁷

Figure 3-1 Cash Reserves rule



3.2.2. Net Debt and Investment rule

The Net Debt rule restricts net debt to a soft cap of 55 per cent of GDP, with a hard cap of 65 per cent of GDP. In addition, the Investment rule applies if borrowing exceeds 55 per cent of GDP, allowing borrowing only for capital investment or targeted GDP stimulus, and requiring a value analysis.

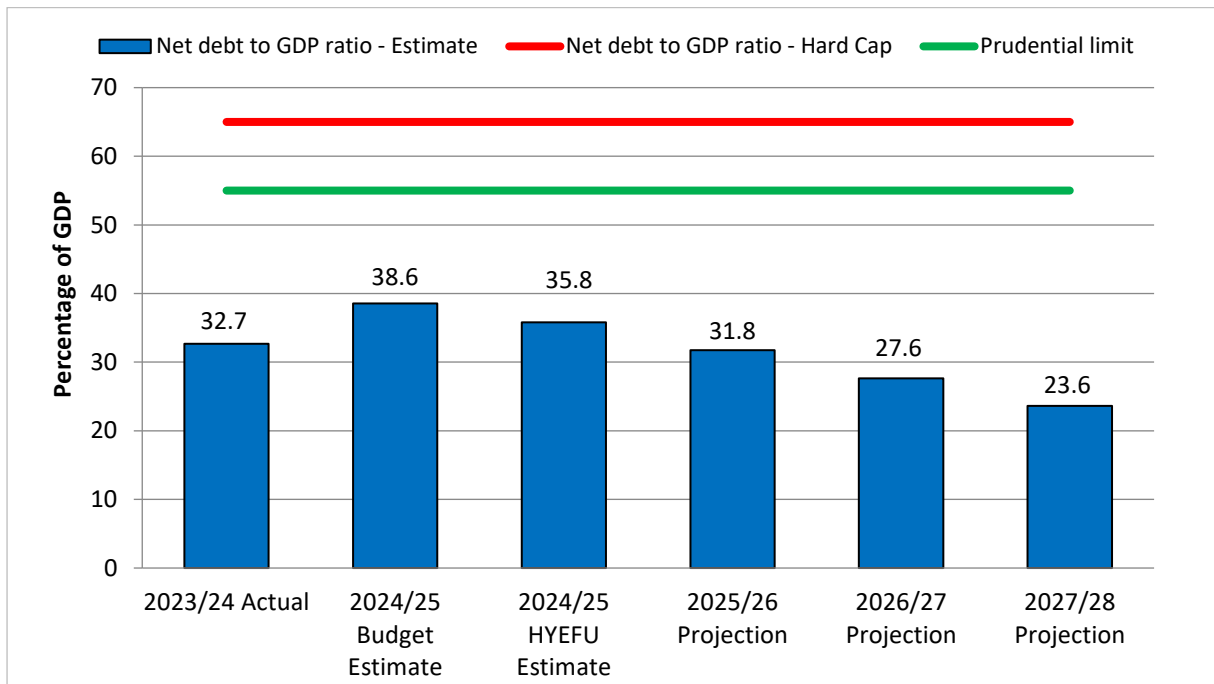
The net debt to GDP for 2023/24 stands at 32.7 per cent, with a total net borrowing of \$216.3 million⁸. This ratio is anticipated to stay with the Net Debt rule limits, even including a new

⁷ Note these amounts do not include the New Zealand Government Core Sector Support funding, as at the time of writing the Grant Agreement is yet to be signed.

⁸ This value differs to the value reflects in the Crown Debt and Net Worth chapter as commercial debt for state owned enterprises are excluded in the fiscal analysis here.

loan taken from the Asian Development Bank, and is projected to decrease further as GDP grows and repayments on existing debt continues.

Figure 3-2 Net debt to GDP ratio



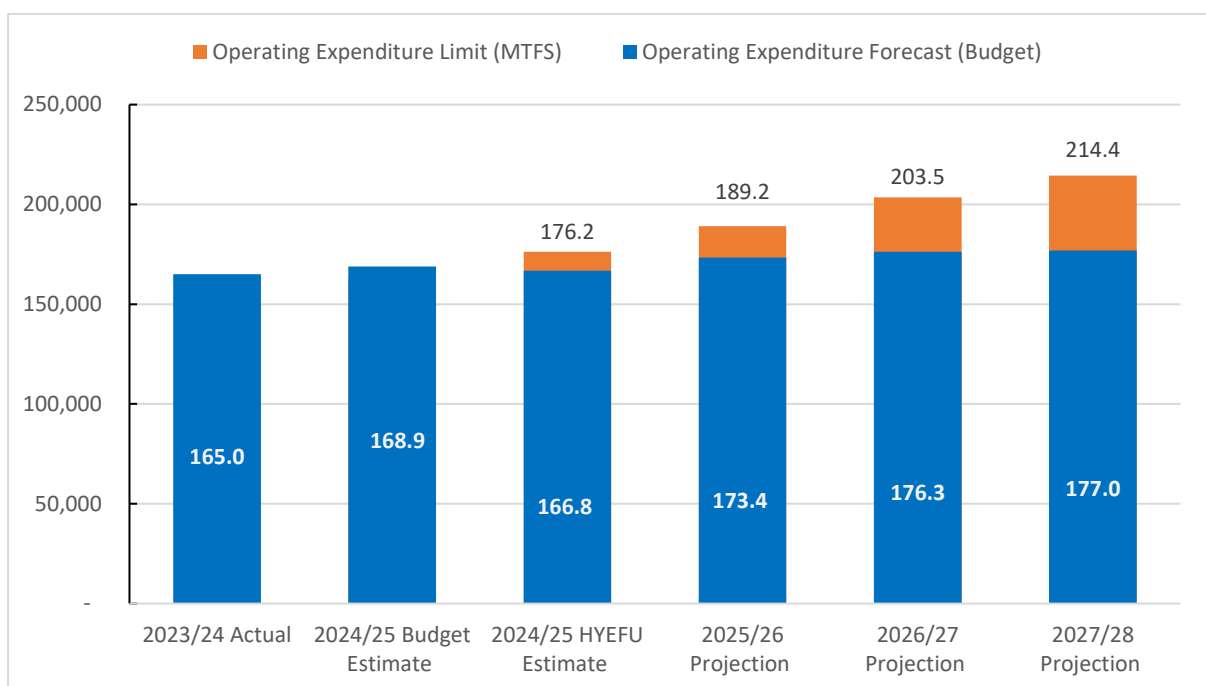
3.2.3. Operating Expenditure rule

The expenditure rule states that the baseline budgeted operating⁹ expenditure cannot grow by more than two per cent or the average nominal GDP growth over the last five years, excluding pandemic-affected years.

Under the revised comparison method for operating expenditure growth, actual baseline operating expenditure for 2023/24 was \$165.0 million. For 2024/25, baseline operating expenditure is projected to remain within the threshold of \$176.2 million, reflecting the Government’s fiscal restraint and ongoing economic growth.

⁹ Baseline operating expenditure is defined as total government department expenditure as per the MTF: https://www.mfem.gov.ck/files/ugd/dbdf40_355e0a8ebdab49d39831c241e64d6d4b.pdf

Figure 3-3 Operating Expenditure Rule



3.2.4. Budget Balance rule

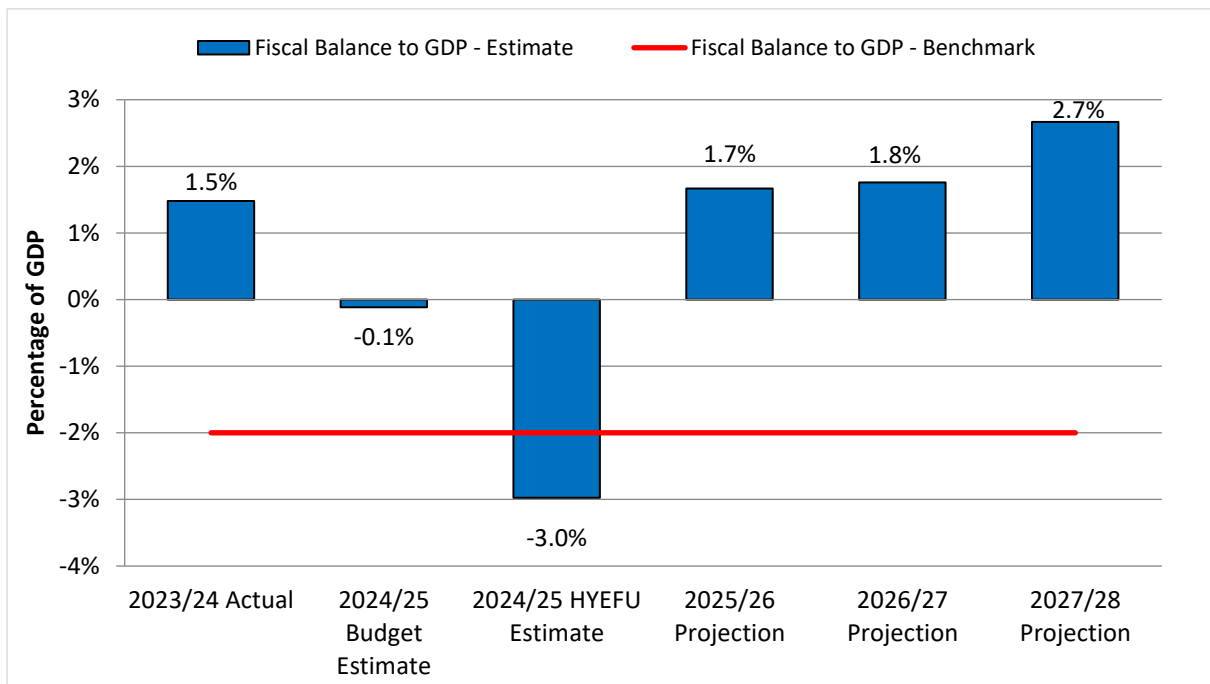
The budget balance rule limits any fiscal deficit to no more than 2.0 per cent of GDP. This rule allows for borrowing to make investments in infrastructure and other needs, but limits this to a sustainable level.

The fiscal balance for 2023/24 is recorded at 1.5 per cent of GDP, reflecting a fiscal surplus driven by lower-than-expected spend in capital expenditure resulting from supply and capacity constraints.

For 2024/25, the fiscal balance is projected to show a deficit of 3.0 per cent of GDP, appearing to breach fiscal rules. However, this deficit is largely attributable to a significant amount of unspent expenditure from 2023/24 being carried forward into 2024/25. When this carry-forward is adjusted for—acknowledging that it reflects a timing issue and does not alter the total resources utilised across both years—the adjusted fiscal deficit for 2024/25 stands at 0.2 per cent of GDP.

Over the forward years, the fiscal balance is expected to be in surplus (see Figure 3-4).

Figure 3-4 Budget Balance Rule



3.3. Medium-term Fiscal Projections

From 2024/25, taxation revenue is expected to grow steadily, reaching \$204.8 million by 2027/28. This growth will be complemented by a gradual increase in other revenue sources, which are projected to rise to \$29.6 million over the same period.

For 2024/25, the operating balance is forecasted to record a deficit of \$9.5 million, while the fiscal balance is projected to show a deficit of \$20.6 million. These deficits are primarily driven by higher operating and capital expenditures associated with work programmes and capital projects carried forward from 2023/24.

A fiscal surplus is anticipated from 2025/26 onwards, driven by an increase in total operating revenue that exceeds operating and capital expenditures.

Net debt is forecasted to decrease annually from 2024/25, supported by improvements in GDP and debt repayments. By 2027/28, the net debt balance is projected to reduce to \$185.3 million, representing 23.6 per cent of GDP.

3.4. Movements since the 2024/25 Budget

The 2024/25 Budget classifies revenue and expenditure adjustments according to the following categories:

- **Policy decisions:** New initiatives undertaken by government.
- **Technical adjustments:** Changes resulting from updates to data or assumptions.
- **Reclassification of expenses:** Transfers, within expenditure categories, such as shifting costs from operating to personnel within an agency.
- **Parameter changes:** Adjustments due to economic factor beyond government control, including depreciation, fluctuations in welfare beneficiary numbers, and changes in fuel costs impacting the Airline Route Development.

Details of these adjustments to the revenue and expenditures forecasts are presented in Table 3-2.

Table 3-2 Reconciliation of Operating Statement (\$'000)

Statement of Government Operations	2023/24	2024/25	2025/26	2026/27	2027/28
Operating balance as at 2024/25 Budget	12,359	3,074	11,225	16,978	25,783
Revenue					
Revenue Parameter Changes	2,307	1,508	1,385	231	100
<i>Adjustments to:</i>					
Value Added Tax (VAT)	14,014	2,261	2,338	442	225
Income tax	(1,714)	(1,571)	(1,350)	(1,163)	(1,147)
Import levies	(7,387)	(241)	(1,127)	(1,021)	(1,117)
Company tax	(646)	987	1,393	1,692	1,831
Departure tax	(2,645)	20	79	229	256
Withholding tax	685	53	53	53	53
Other Revenue Changes	(4,465)	(2,009)	(1,100)	(90)	(90)
Other revenue	(4,592)	(2,316)	(1,100)	(90)	(90)
Trading Revenue	127	307	0	0	0
Dividend	0	0	0	0	0
Core Sector support	0	0	0	0	0
Total Revenue Changes to 2024/25 HYEFU	(2,157)	(501)	286	141	10
Expenditure					
<i>Expenditure Decisions by Government</i>	0	347	0	0	0
<i>Technical adjustments</i>	0	0	0	0	0
<i>Reclassifications of expenditure</i>	0	11,711	0	0	0
<i>Parameter changes</i>	(1,998)	0	72	249	369
Total Expenditure Changes to 2024/25 HYEFU	(1,998)	12,057	72	249	369
OPERATING BALANCE as at 2024/25 HYEFU	12,200	(9,484)	11,438	16,870	25,425
Capital Expenditure	15,896	26,413	14,664	18,813	19,687
Depreciation	13,473	15,259	15,259	15,181	15,181
FISCAL BALANCE - as at 2024/25 HYEFU	9,777	(20,639)	12,033	13,238	20,919

3.4.1. Revenue

Revenue projections for 2024/25 have been revised slightly downward overall, driven by two opposing factors. Taxation revenue has been adjusted upward by \$1.5 million, primarily due to stronger economic activity, which has resulted in higher value-added tax (VAT) collections. However, other (non-taxation) revenue has been revised downward by \$2.0 million, primarily due to a reduction in fishing revenue.

For the outer years, revenue forecasts have been revised slightly upward, driven by continued growth in VAT. In contrast, income taxes and import levies have been revised downward, reflecting the latest data and recent performance trends for these specific tax categories.

3.4.2. Expenditure

The largest impact on operating expenditure in 2024/25 is attributed to the carry-forward of funding from 2023/24. In the outer years, operating expenditure is expected to rise modestly, primarily driven by higher debt repayments.

Capital expenditure is also forecasted to increase in 2024/25, reflecting the completion of carry-forward projects from the previous fiscal year, which experienced unusually low levels of capital expenditure. Beyond 2024/25, capital expenditure is anticipated to align with the forecast projections outlined in the 2024/25 Budget, with no significant changes expected for the outer years. However, the easing of fiscal constraints may allow for increased investment in the future.

3.4.2.1. Carry forwards from the 2023/24 Budget

A total of **\$19.0 million** has been approved for carry-forward from the 2023/24 Budget to complete ongoing work programmes in the 2024/25 fiscal year. Of this total, \$11.7 million relates to operating expenditure (including administered payments and Payments on behalf of Crown (POBOC)) and \$7.3 million for capital expenditure.

The carry-forward approved for operating will be used to cover the following expenses:

Personnel: \$1.9 million

Agency	Detail	Amount (\$)
BTIB	Key consultations and activities for reviewing the Cook Islands Trade Policy Framework – to be transferred to operating.	13,886
Culture	To settle outstanding invoices – to be transferred to operating.	38,109
FSDA	Personnel costs to bolster marketing efforts.	16,665
Internal Affairs	Technical assistance – to be transferred to operating.	3,000
Marine Resources	To backfill the reduction in MMR's 2024/25 personnel appropriation	270,000
Ombudsman	To cover higher duty allowance.	6,876
Pukapuka-Nassau	To replenish its 2024/25 operating budget due to urgent fuel payment relating to the 2023/24 year - to be transferred to operating.	57,400
Audit (PERCA)	To support recruitment and relocation costs.	30,000
Audit (PERCA)	To support office restructuring, job sizing, employee retention, and market premium payments.	186,188
	<i>Total Audit (PERCA)</i>	<i>216,188</i>
SBMA	To complete remuneration reviews – to be transferred to operating.	12,000
SBMA	For two one-year employee contracts	45,000
SBMA	For LinkedIn recruiter membership – to be transferred to operating.	15,000
SBMA	For staff training and upskilling – to be transferred to operating.	15,230
	<i>Total SBMA</i>	<i>87,230</i>
Corrections	Staff uniforms – to be transferred to operating.	5,000
Corrections	Security upgrade at Head Office – to be transferred to operating.	7,000
Corrections	IT security enhancements – to be transferred to operating.	5,000
Corrections	Chief Probation officer induction – to be transferred to operating.	8,200
Corrections	Prison truck repair – to be transferred to operating.	3,000
Corrections	Rehabilitation programmes – to be transferred to operating.	14,800
	<i>Total Corrective Services</i>	<i>43,000</i>
Crown Law	To backfill the reduction in CLO's 2024/25 appropriation	200,000
Crown Law	To address critical staff retention and recruitment needs	168,000
	<i>Total Crown Law</i>	<i>368,000</i>
MFEM	To backfill reduction in MFEM's 2024/25 personnel budget.	300,000
MFEM	For a FMIS Analyst (fixed-term one year).	31,849
MFEM	For a 6-month fixed-term contractor to complete an operational review of RMD.	30,000
MFEM	Restructure costs for MPPS to include shipping and renewable energy services.	133,332
	<i>Total MFEM</i>	<i>495,181</i>
OPSC	To support short-term contract work to assist with recruitment and retention strategies.	5,000
OPSC	For a TA to review and develop the next Cook Islands Public Service Strategy.	52,522
	<i>Total OPSC</i>	<i>57,522</i>
Police	MOU fee with MFEM shared services for financial assistance – to be transferred to operating.	120,000
Police	To replenish 24/25 operating used for urgent repairs to Te Kukupa II boat – to be transferred to operating.	24,000
Police	Maritime office rental fee payable – to be transferred to operating.	50,000
Police	To assist with other core operating expenses – to be transferred to operating.	18,856
	<i>Total Police</i>	<i>212,856</i>
Total Personnel carry forwards		1,885,913

Operating: \$601,337

Agency	Detail	Amount (\$)
SBMA	UMC 2024 host costs and consultation with the Pa Enea and the diaspora	148,000
Crown Law	To ensure efficient service delivery by the office.	59,444
OPSC	To support ongoing operating programmes such as consultation costs, capacity assessment, performance management.	28,809
Ombudsman	To cover an outstanding invoice.	110
Police	To assist with other core operating expenses.	20,971
FSDA	To bolster its marketing efforts.	486
MFEM	Small asset replacement (IT equipment).	14,000
MFEM	Professional services for RMD's operational review.	100,000
MFEM	Refurbishment of the Customs office in Aitutaki.	60,000
MFEM	Renewable energy administration and related costs.	11,078
MFEM	Customs services - rental payments for July & Aug 2024.	7,500
MFEM	Customs services - electricity costs for July & Aug 2024.	2,000
MFEM	Attendance to the FEMM and staff travel for an executive course.	5,635
MFEM	Recruitment and retention strategy, Graduate and Internship programme & staff development.	17,800
MFEM	Meeting & Conferences - to host two strategy planning days.	5,000
MFEM	Advertising and Marketing - Workforce video series and new MFEM collateral.	6,738
	<i>Total MFEM</i>	229,751
MFAI	Cook Islands representative to UNESCO.	20,000
MFAI	PACER PLUS National Coordinator (co-financing) for one-year term.	24,000
MFAI	MFAI's 40th Anniversary.	10,000
MFAI	Border equipment - Immigration Division.	15,000
MFAI	Support to PM for New Zealand consultations, EV inspection, registration and chargers for overseas missions.	40,991
	<i>Total MFAI</i>	109,991
Internal Affairs	To replenish operating used to pay for Te Aponga Uira invoice related to the 2023/24 year.	551
Internal Affairs	To replenish operating used to pay for Rarotonga Freight Ltd invoices related to the 2023/24 year.	3,224
	<i>Total INTAFF</i>	3,775
Total Operating carry forwards		601,337

Administered Payments: \$9.0 million

Agency	Title	Detail	Amount (\$)
Culture	National Events	To cover outstanding costs for Te Maeva Nui.	38,887
Environment	Feasibility Study for Coastal Protection - Rarotonga & Aitutaki	To conduct feasibility studies.	400,000
Education	Government Funded Scholarships	To cover loan repayments for seven returning students.	101,365
SBMA	Seabed Minerals Sector Development	For a Legal advisor and an Environmental and Technical Advisor.	175,000
Health	Patient Referral	To cover budget shortfall.	382,920
MFAI	Cook Islands Student Association Support	Ta'okota'ianga conference 2024 and engagements for the Cook Islands 60 th Celebration.	10,000
Crown Law	Legal Provisions	For litigation claims, legal costs and charges.	58,904
Crown Law	Lexis Nexis - Portal Maintenance	To maintain online portal.	101,490
		<i>Total Crown Law</i>	160,394
Justice	Judge's Allowances	To cover fees, costs and allowances.	112,003
Justice	Project to bring land records up to date	To continue updating and digitising land records and court transcripts.	31,109
		<i>Total Justice</i>	143,112
MFEM	Airline Route Development	To cover existing agreements and adverse movements in foreign exchange and fuel costs.	4,427,390
MFEM	Economic Recovery Roadmap	To cover additional needs related to key priorities.	2,067,000

Agency	Title	Detail	Amount (\$)
MFEM	Public Sector Strengthening-processes and systems	To support refit of the Crown Law office.	52,930
MFEM	Price Tribunal Committee	Southern Group travel costs for price order compliance work.	2,896
MFEM	FMIS Maintenance	To cover maintain costs.	60,468
MFEM	Production of new currency, transportation and sale of old coins	To cover remaining shipping payment costs.	75,123
MFEM	ASYCUDA Administrative Fund	To cover annual operation of the Automated System for Custom Data.	100,250
MFEM	Conduct of a Labour Force Survey	To complete the Labour Force survey.	178,901
MFEM	Provision for Inter-Island Shipping	To assist with critical areas of domestic shipping.	643,391
<i>Total MFEM</i>			7,608,348
Total Administered payment carry forwards			9,020,026

POBOC: \$203,301

Agency	Title	Detail	Amount (\$)
Audit (PERCA)	Audit Fees	To complete outstanding government entity audits for the 2022/23 year.	52,000
Culture	House of Ariki	To replenish funds used to cover outstanding costs.	17,265
MFAI	International Subscriptions	To cover budget shortfall in subscription payments.	20,632
MFEM	Pacific Catastrophe Risk Insurance	To cover insurance premium costs.	113,404
Total POBOC carry forwards			203,301

The approved capital investment budget consists of the following capital projects:

Capital: \$7.3 million

Agency	Title	Detail	Amount (\$)
Agriculture	Purchase of Capital Equipment	To cover freight and other related costs.	53,545
Health	General X-ray & Mammography	To replace the existing x-ray machine.	175,350
MFEM	Pa Enea Capital Distribution Fund	Shipment costs for vehicles, batteries, and inverters.	1,238,540
CIIC	Government Building Projects - Rarotonga	Complete outstanding projects under this programme.	527,091
CIIC	Geotech scoping & feasibility	Support investigative work.	82,475
CIIC	Arutanga Harbour Project	To complete programmes under Phase 2 of project.	76,184
CIIC	Land Acquisition	To cover project and activities cost.	95,091
CIIC	Pa Enea Government Building Projects - Southern Group	Design refinement of the Mauke Harbour shed.	225,931
CIIC	To Tatou Vai	Sludge waste facility, ERP Software, water metering, and network standardisation.	1,000,000
<i>Total CIIC</i>			2,006,772
Infrastructure	Government Building Projects	To complete this project.	437,159
Infrastructure	Pa Enea Air Infrastructure Improvement Programme	To continue work in Pukapuka and Manihiki.	289,058
Infrastructure	Bridges and Structures Asset Management and Improvement Programme	To allow for additional activities related to this programme.	403,625
Infrastructure	Drainage Asset Management and Improvement Programme	To cover planned drainage works.	562,455

Agency	Title	Detail	Amount (\$)
Infrastructure	Roads Asset Management and Improvement Programme	Complete asphalt sealing from Rutaki to Vaimaanga on Rarotonga.	2,113,822
Infrastructure	Water and Sanitation Infrastructure Improvement Programme	Implementation of certain capital components of this programme.	58,197
<i>Total Infrastructure</i>			<i>3,864,315</i>
Total Capital carry forwards			7,338,522

3.4.2.2. Executive Orders approved in the 2023/24 Budget

Under Article 70(3)(b) of the *Cook Islands Constitution Act 1964*, expenditure beyond the amounts approved in the Appropriation Act may be authorised, provided that such additional spending does not exceed 1.5 per cent of the total appropriations for the fiscal year. Approval for this expenditure outside the Appropriation Act must be granted through an Executive Order.

Executive orders authorising additional expenditure can be issued during the period between the publication of the Budget Estimates and the close of the fiscal year. These expenditures are subsequently reflected in the finalised actual expenditure data.

As of 30 June 2024, a total of **\$3.9 million** was approved through Executive Order. These approved Executive orders are listed below:

Agency	Expenditure Type	Title	Detail	Amount (\$)
Culture	Admin. payment	National Events Fund	Cook Islands delegation to the 2023 Pacific Games.	500,000
Transport	POBOC	Maritime Radio Coverage	Maritime radio service arrears.	177,862
Parliament	POBOC	MP Travel and Allowances (local and overseas)	Regional and international travel obligations.	303,600
Health	Admin. payment	Patient Referrals	To cover patient referral costs.	1,000,000
MFEM	Admin. payment	Provision for Inter Island Shipping	Shipping charter to Palmerston and Pukapuka-Nassau.	1,275,494
Crown Law	Admin. payment	Lexis Nexis - Portal Maintenance	Completion of the Cook Islands Law Consolidation Project.	149,962
Culture	Admin. payment	National Events Fund	Cook Islands delegation to the 13th Festival Pacific of Arts and Culture.	205,314
MFAI	POBOC	International Subscriptions	Outstanding international subscriptions.	250,737
Parliament	POBOC	KR Travel and Allowances (local and overseas)	Travel expenses.	30,565
Head of State	Admin. payment	KR Social Responsibility Fund	Avele College's 100th anniversary gift donation.	5,000
Head of State	Admin. payment	Domestic Hosting Entertainment	Memorial service hosting cost.	500
Culture	Admin. payment	National Events Fund	Delegation expenses for Avele College's 100th anniversary.	19,477
Total			3,918,511	

3.4.2.3. Executive Orders since the 2024/25 Budget

As of 1 December 2024, \$951,912 has been approved through Executive order for the 2024/25 Budget to support the following:

Agency	Expenditure Type	Details	Amount (\$)
Crown Law	Operating	Top up to the 'Operating Contingency' Fund	346,800
Parliament	POBOC	Top up to the 'MPs Travel & Allowances' Fund	463,516
Parliament	POBOC	Top up to the 'KRs Travel & Allowances' Fund	50,951
Parliament	Admin. Fund	Top up to the 'Special Select Committee' Fund	71,596
Head of State	Operating	Top up to the 'Office of the Head of State's' Fund	19,049
Total executive orders - 2024/25 HYEFU			951,912

3.4.3. Fiscal Forecast

This section highlights the changes to the fiscal forecast for the medium-term, since the publication of the 2024/25 Budget. The forecasted revenue and expenditure have been developed within the context of a robust economic recovery from the impacts of COVID-19 and a transition toward sustainable long-term growth.

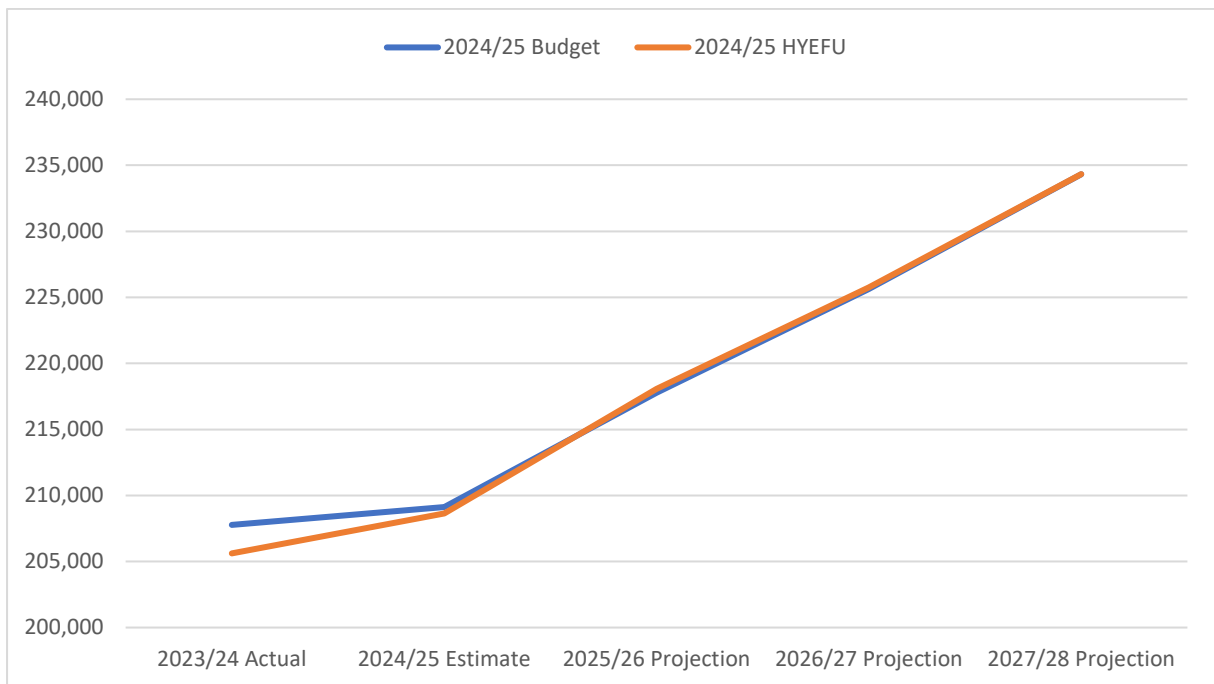
3.4.3.1. Operating revenue forecast

The Government's total operating revenue for the fiscal year 2024/25 is projected to be lower than forecast in the 2024/25 Budget by \$0.5 million. This decline is primarily attributed to a reduction in other revenue, notably a downward revision in fisheries revenue by \$2.5 million, which offsets the anticipated growth in taxation revenue expected through VAT for the 2024/25 period. In subsequent years, a modest increase in revenue is forecasted, driven by improved taxation revenue, particularly from VAT and company tax, which compensates for reductions in income tax, import levies, and fisheries revenue. The revised forecasts are compared in Table 3-3 and Figure 3-5.

Table 3-3 Updated Government Operating Revenue Forecasts (\$'000)

Revenue Projections	2023/24 Actual	2024/25 Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
2024/25 Budget	207,772	209,133	217,785	225,621	234,321
2024/25 HYEFU	205,615	208,633	218,071	225,762	234,331
Difference	(2,157)	(501)	286	141	10

Figure 3-5 Government Revenue Forecast Comparison (\$'000)



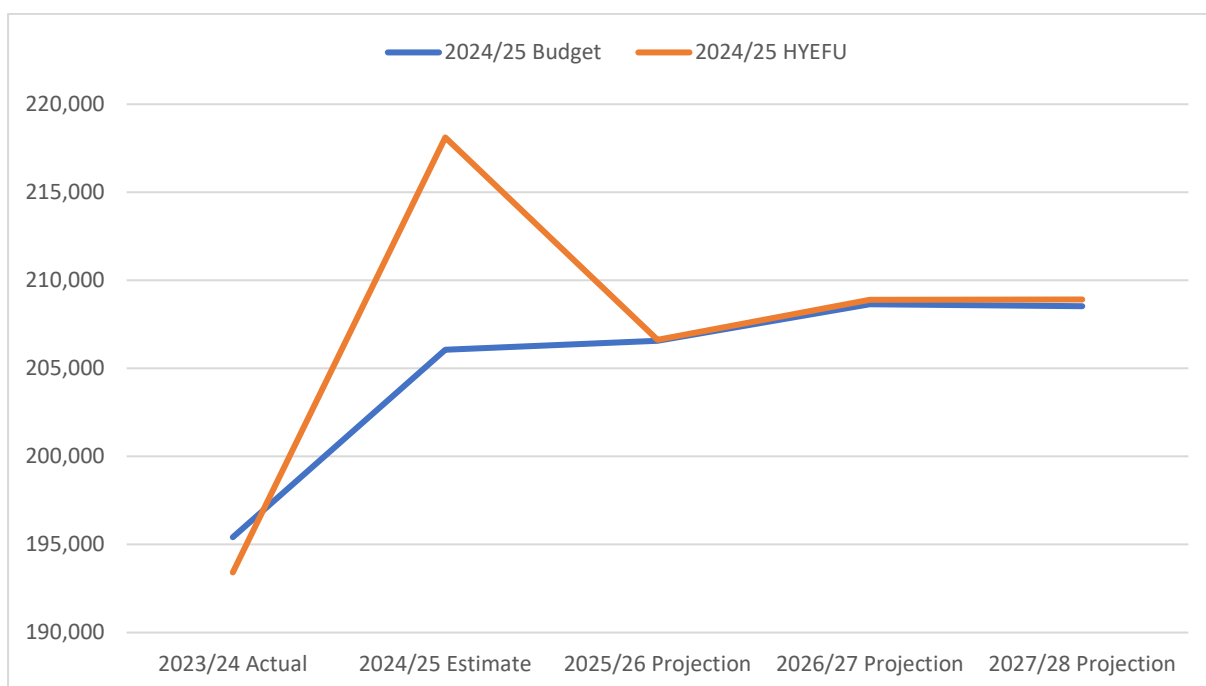
3.4.3.2. Operating expenditure forecast

The total operating expenditure for the 2024/25 fiscal year has risen by an additional \$12.1 million since the release of the 2024/25 Budget. This increase is attributed to the carry forward of funds from the 2023/24 fiscal year to complete certain work programmes. In the following years, operating expenditure is expected to grow slightly, primarily driven by increased debt interest payments contributing to the loan repayment fund.

Table 3-4 Updated Government Operating Expenditure Forecasts (\$'000)

Expenditure Projections	2023/24 Actual	2024/25 Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
2024/25 Budget	195,413	206,059	206,560	208,642	208,538
2024/25 HYEPU	193,415	218,116	206,632	208,891	208,906
Difference	(1,998)	12,057	72	249	369

Figure 3-6 Government's Operating Expenditure Forecast Comparison (\$'000)



3.4.3.3. Fiscal balance forecasts

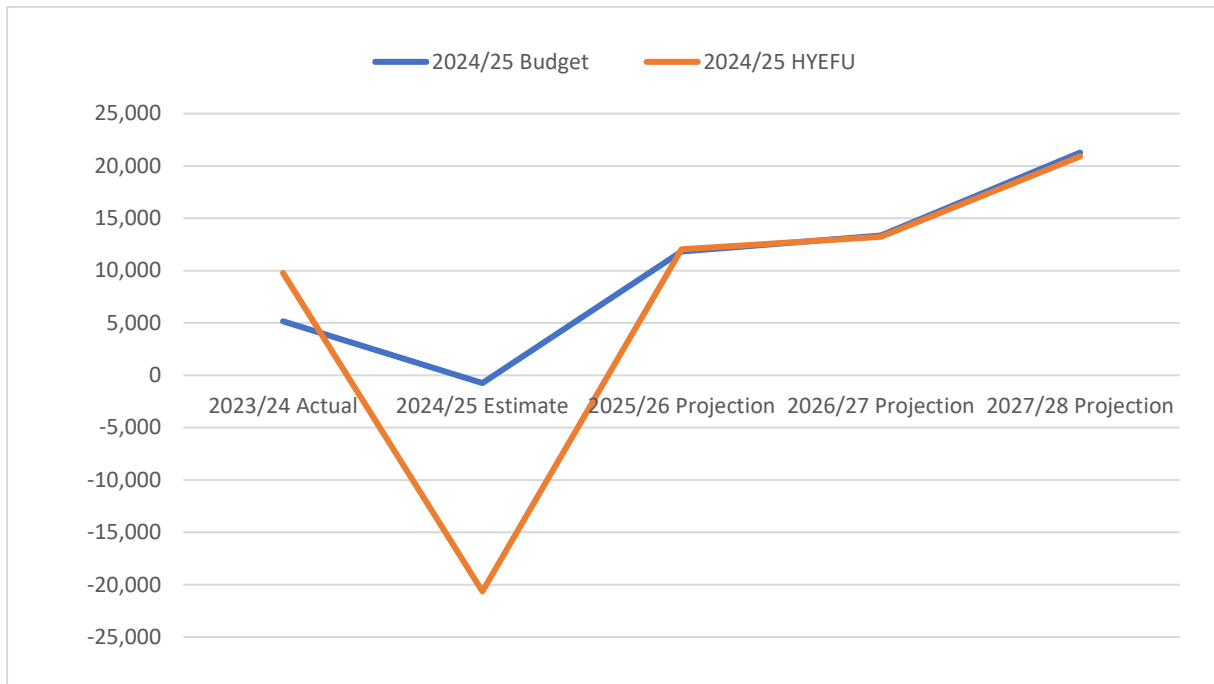
The fiscal balance for 2024/25 is projected to be considerably lower than forecast in the 2024/25 Budget, resulting in a fiscal deficit of \$20.6 million. This is primarily due to increased total operating and capital expenditures, driven by the carry forward of funds from the 2023/24 fiscal year to complete ongoing projects and programmes.

In the outer years, a fiscal surplus is anticipated in 2025/26 as operating revenue is projected to outpace the modest growth in operating expenditure. However, from 2026/27 onwards, the fiscal balance is expected to revert to a deficit due to a slight increase in operating expenditure relative to revenue growth.

Table 3-5 Fiscal Balance (\$'000)

Fiscal Balance	2023/24 Actual	2024/25 Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
2024/25 Budget	5,148	(741)	11,820	13,346	21,278
2024/25 HYEFU	9,777	(20,639)	12,033	13,238	20,919
Difference	4,630	(19,897)	213	(108)	(359)

Figure 3-7 Government's Fiscal Balance (\$'000)



4. Economic Update

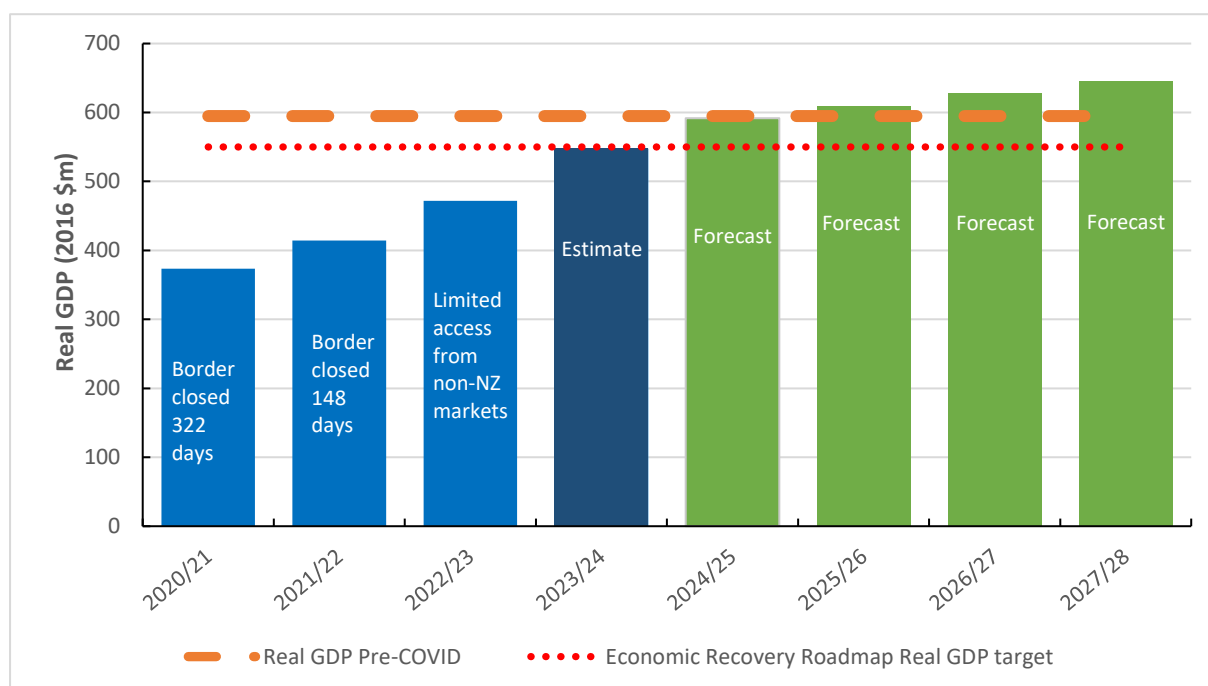
4.1. Overview

The Cook Islands' economy has shown very strong performance across 2023/24, and the outlook from 2024/25 is a very positive one. The recovery period after the pandemic has given way to impressive growth, and nominal Gross Domestic Product (GDP) is now almost 15 per cent above pre-pandemic levels. The inflationary spike over 2022/23, which lingered later has meant that real GDP has not yet closed the gap, but is expected to do so in the current fiscal year.

As expected, this strength is coming on the back of tourism as visitor arrivals have grown to almost 170,000 over the 12 months to September 2024, and are expected continue to grow (though at a more moderate rate). The outlook over the forward years is a strong one, as inflation concerns have lessened, business turnover and employment has grown strongly and the confidence this brings is being reflected in leading indicators of investment levels.

The rapid resurgence in the tourism sector resulted in an estimated 16 per cent growth in real (inflation-adjusted) GDP for 2023/24. This growth is stronger than anticipated in the Budget. It takes annual real GDP to \$545 million, just shy of the Economic Recovery Roadmap target of \$550 million.

Figure 4-1 Cook Islands Real GDP



Over a longer timeframe, across the past decade, the economy has seen two key stories emerge. The first of these is the tourism boom of the 2010s, with visitor arrivals growing from around 100,000 in 2009 to over 170,000 in 2019. This led to almost double-digit economic growth in the latter half of the 2010s, with nominal GDP averaging 9.3 per cent growth per year from 2013/14 to 2018/19.

The second story is the devastating impact of the COVID-19 pandemic, with nominal GDP contracting by over 41 per cent from peak to trough. Thankfully, the economy has shown strong resilience since this, with the recovery phase showing that there are strong fundamentals to the Cook Islands economy – even though it is vulnerable to shocks, with a narrow economic base. The past two years (2022/23 and 2023/24) have both seen nominal growth over 28 per cent, with visitors returning – particularly from New Zealand and increasingly, Australia.

The largest challenge over the past two years has been inflation, with global factors related to fuel and transport pushing prices higher. This peaked at 13.2 per cent in 2022/23, but as pressures have subsequently eased consumer price growth has moderated to 4.6 per cent in 2023/24, and is forecast to further reduce to 2.3 per cent in 2024/25. Inflation is expected to remain close to this level over the forward years.

A summary of key indicators is provided in Table 4-1 for the budget year and forward years of the 2024/25 Budget.

Table 4-1 Summary of Economic Indicators

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Est.	Projected	Projected	Projected	Projected
Economic Activity							
Nominal GDP (\$'000)	396,927	513,595	661,707	693,579	720,914	753,279	784,687
Percentage change (YOY)	13.6	29.4	28.8	4.8	3.9	4.5	4.2
Real GDP (2016 prices, \$'000)	414,112	471,915	547,625	591,711	608,805	627,421	645,364
Percentage change (YOY)	10.9	14.0	16.0	8.1	2.9	3.1	2.9
Inflation (CPI)							
Percentage change (YOY)	3.6	13.2	4.6	2.3	2.0	2.2	2.6
Construction/Capital Investment							
Value-added (\$'000)	11,153	14,040	16,072	16,812	17,426	18,088	18,829
Productive Sector Indicators							
Visitor Arrivals	59,657	127,340	163,342	172,701	174,372	176,804	177,961
Percentage change (YOY)	691.2	113.5	28.3	5.7	1.0	1.4	0.7
Estimated Visitor Expenditures (\$'000)	109,168	309,803	408,748	449,841	455,162	463,021	472,607
Agriculture & Fisheries value-added (\$'000)	13,641	14,073	14,176	14,534	15,308	15,915	16,497
External Sector							
Merchandise Trade Balance (\$'000)	-163,798	-237,538	-252,110	-315,121	-325,774	-337,983	-350,367
Services Trade Balance (\$'000)	73,911	259,148	348,942	386,338	391,169	397,801	406,063
Exchange Rate (USD/NZD Average)	0.6806	0.6165	0.6068	0.6180	0.6290	0.6360	0.6400

4.2. Outlook for 2024/25

The forecast for 2024/25 indicates a return to pre-COVID levels of economic activity. The annual real growth rate is expected to slow, easing to 8.1 per cent in 2024/25. Subsequent years will see sustained but more moderate growth of 2.9 per cent in 2025/26 and 3.1 per cent in 2026/27.

Looking ahead to the rest of 2024/25, the Government is continuing to adopt a fiscally neutral approach, aligning expenditure with income. This continues the responsible fiscal policy approach, to transition towards being able to rebuild buffers as the economy moves to a stronger footing. Over the forward years, the fiscal stance will shift towards a more contractionary position, aiming to rebuild reserves and repay debt.

The inflation experienced in the 2022/23 fiscal year has had a two-fold effect on the economy. Firstly, in order to maintain consistent level of profits, sales had to reach exceptionally high levels. Secondly, higher prices have forced businesses, households and the government to scale back their activities to accommodate increased costs. These impacts have begun to wash though the economy now, but they will take some time to be fully in the past. For more discussion on the impact of inflation in the Cook Islands economy, please see section 4.5.2 below.

In addition, the Cook Islands economy faces capacity constraints, especially concerning labour. While the situation has somewhat improved from the initial tight conditions following the reopening of borders in 2022, it still affects infrastructure projects, tourism capacity and other various aspects of the economy.

4.3. Changes since the 2024/25 Budget

The major changes since the 2024/25 Budget are related to new data being available. These have shown that visitor arrivals have continued to be stronger than initially anticipated, and overall activity levels are higher – largely due to more visitors, but also the amounts they spend.

Table 4-2 Real GDP growth (percentage change, year on year)

Forecast		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
2024-25 Budget	2016 \$m	414.1	476.1	544.9	567.9	586.7	607.1	627.9
	% change	15.7%	26.9%	14.4%	4.2%	3.3%	3.5%	3.4%
2024-25 HYEFU ¹⁰	2016 \$m	414.1	471.9	547.6	591.7	608.8	627.4	645.4
	% change	10.9%	14.0%	16.0%	8.1%	2.9%	3.1%	2.9%

4.4. The Global Economy

The Cook Islands, being a small and open economy, is heavily dependent on exporting goods and services to a select few key partner nations, notably New Zealand, Australia, and the United States of America. This reliance was particularly evident during the COVID-19 pandemic, which disrupted both the movement of people and trade, and influenced the current inflationary pressure. As such, it is necessary to examine the economic conditions and outlook of our key partners, as well as the broader regional and global economy.

4.4.1. New Zealand

New Zealand is the Cook Islands’ most important trading partner, being the source of the majority of our goods imports, as well as providing the majority of our tourists. The performance of the New Zealand economy is an important driver of the performance of the Cook Islands economy. The Reserve Bank of New Zealand (RBNZ) cut the official cash rate (OCR) by 50 basis points, to 4.25 per cent, in November 2024. This was in line with market expectations, and reflects the easing of inflationary pressures, and ongoing excess capacity in the New Zealand economy.

Economic activity has remained subdued. Real production GDP declined by 0.2 per cent in the June 2024 quarter, and likely fell again in September quarter. In its November 2024 *Monetary policy statement* (MPS), the RBNZ attributed this weakening to restrictive monetary policy, falling net immigration, easing global growth and slower growth in government spending.

This dampening in growth contributed to weaker labour demand, and hence an easing in domestic wage pressures. Employment levels and job vacancies have dropped, and the unemployment rate rose to 4.8 per cent in the September 2024 quarter. The RBNZ expects employment growth to remain weak until mid-2025. As a result, unemployment is forecast to continue rising in the near term – peaking at 5.2 per cent in the March 2025 quarter.

Imported inflation has also fallen, as price growth has declined across most of New Zealand’s major trading partners. Falling import prices contributed to a sharp drop in the annual price growth of

¹⁰ Note that revisions to historical real GDP data have resulted in past years’ growth rates being updated

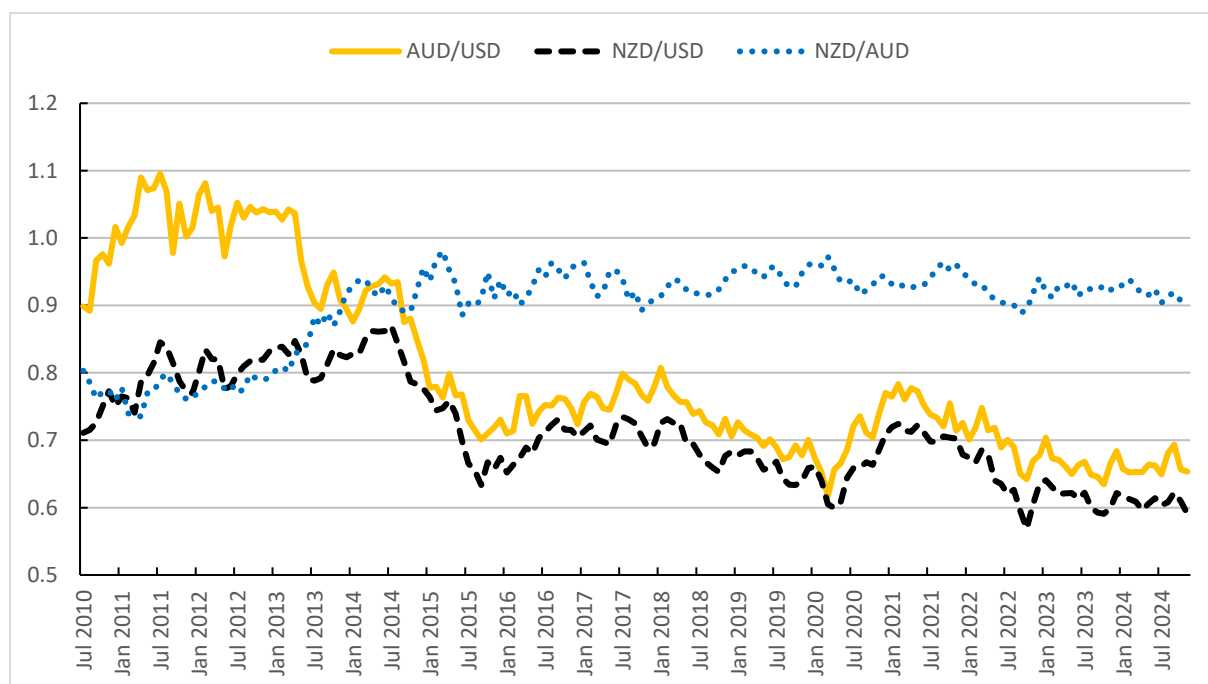
tradables, which was -1.6 per cent in the September 2024 quarter. Other drivers of this decline were lower fuel prices and weak retail spending.

Overall headline inflation, as measured by the Consumer Price Index, dropped from 3.3 per cent in the June 2024 quarter to 2.2 per cent in the September quarter, within the RBNZ's target band of 1 to 3 per cent. The RBNZ expects remaining inflation pressures to abate, and for CPI to stabilise close to the target midpoint.

Growth in the New Zealand economy is expected to recover during 2025, in response to lower interest rates, but remain subdued in the near term. The RBNZ expects that slowing growth in the US and China, and a sluggish growth outlook for Europe, will be mostly offset by higher growth in other advanced economies. But the slowing Chinese economy will translate into lower demand for key New Zealand exports such as wood, dairy and tourism. This will continue to stifle New Zealand growth over the medium term.

The New Zealand dollar depreciated slightly on a trade-weighted basis since the August MPS. This reflects downward pressure from lower domestic interest rates, which was partly offset by interest rate drops in New Zealand's trading partners, and higher commodity export prices. The overall economic picture from New Zealand implies that imported inflation will reduce, and further growth in tourism from New Zealand is likely to be constrained.

Figure 4-2 US Dollar exchange rate, New Zealand and Australia



4.4.2. Australia

Australia provides our second largest group of tourists, and has been growing strongly post pandemic with the introduction of more frequent flights from Sydney. The relative importance of the Australian economy to the Cook Islands is also increasing.

The Reserve Bank of Australia (RBA) increased the cash rate to 4.35 per cent in November 2023. It has since held it steady at this rate for the past year, reflecting its assessment of ongoing capacity and inflationary pressures in the Australian economy.

While inflation fell in the September 2024 quarter, this was partly due to cost-of-living support measures to households. The RBA expects inflation to rise above its target band of 2 to 3 per cent in

the second half of 2025 when these rebates are unwound, before easing gradually to 2.5 per cent by the end of 2026.

Labour market conditions remain tight, but are starting to ease. Higher labour force participation over the September 2024 quarter was only partly absorbed by strong employment growth. As a result, the unemployment rate also increased slightly, to 4.1 per cent. Wage growth remains high relative to labour productivity, but is expected to moderate as the labour market stabilises around full employment in late 2025.

Household consumption growth over the first half of 2025 was much weaker than expected, following previous large declines in real disposable income and restrictive financial conditions. Demand growth was buoyed by a boost in public sector consumption, but is still weakening overall.

While aggregate demand has continued to exceed supply, this weaker growth is narrowing the output gap. The RBA now expects a softer GDP trajectory. In its November 2024 *Statement on Monetary Policy*, the RBA revised its real annual GDP growth forecasts to 2.2 per cent for 2025 (down from 2.5) and 2.3 per cent 2026 (down from 2.4).

4.4.3. Asia-Pacific Region

The Asian Development Bank's *Asian Development Outlook September 2024* report highlights that domestic demand and continued recovery in exports were the key drivers of growth in developing Asia. The report points to solid expansion of economic activity among high-income technology exporters while Association of Southeast Asian Nation (ASEAN) economies remained resilient, supported by higher consumption, investment and improvements in net exports.

Inflationary pressures continue to retreat across developing Asia, but the disinflation process remains uneven. Price pressures continue to moderate on the lagged effects of monetary tightening and falling global commodity prices. Energy inflation returned to pre-pandemic levels, while food inflation remains slightly elevated relative to its pre-pandemic level, albeit also on a declining trend. Increased crop harvests and production has helped to significantly reduce food prices in India, but weather disruptions in China saw food prices pushed into positive territory for the first time in more than a year. Core inflation in the region has now eased to below pre-pandemic levels. Thus, inflation forecasts in the region have been revised down to 2.8 per cent (from 3.2 per cent) for 2024 and 2.9 per cent (from 3.0 per cent) for 2025.

The ADB has made slight upward revisions to its economic growth forecasts for developing Asia, adjusting the projection for 2024 to 5.0 per cent (from 4.9 per cent). The growth projection for 2025 remains unchanged at 4.9 per cent. The upward revision for 2024 for developing Asia is driven by rising global semiconductor sales driven by strong demand for artificial intelligence products.

The ADB considers risks to the economic outlook to remain high, signifying existing risks have not eased. The outcome of the United States presidential election could result in an increase in protectionist policies thus escalating the trade tensions between the US and China, with potential negative spill-overs through developing Asia. Ongoing geopolitical tensions in the Middle East and Russia's war in Ukraine continue to pose risks to the outlook by disrupting shipping routes, increase oil prices which then, potentially, affects the prices of other commodities. Climate change remains a high risk to the outlook for the region given its impacts that undermine food and energy security and lead to volatile commodity prices.

4.4.4. Pacific

The ADB has revised up its growth forecasts for the Pacific region due to continued strong growth in tourism and government stimulus, including higher public wages. Revised forecasts show growth of 3.4 per cent in 2024 and 4.1 per cent in 2025, both upward revisions up 0.1 percentage point since

April 2024 estimates. The revisions are largely due to very strong recoveries in the tourism sector and an increase in public sector wages in some economies. Activity in Papua New Guinea and Fiji primarily determine the economic prospects for the region, collectively accounting for 90 per cent of the subregions GDP.

Forecast inflation in the Pacific has moderated for the year 2024 to 3.6 per cent as a result of revisions in Nauru, PNG, Samoa, and Tuvalu. For 2025, the inflation forecast remains unchanged at 4.1 per cent. These inflation figures are broadly aligned with those forecast for the Cook Islands, though they remain a bit higher in the outer years.

4.4.5. Global

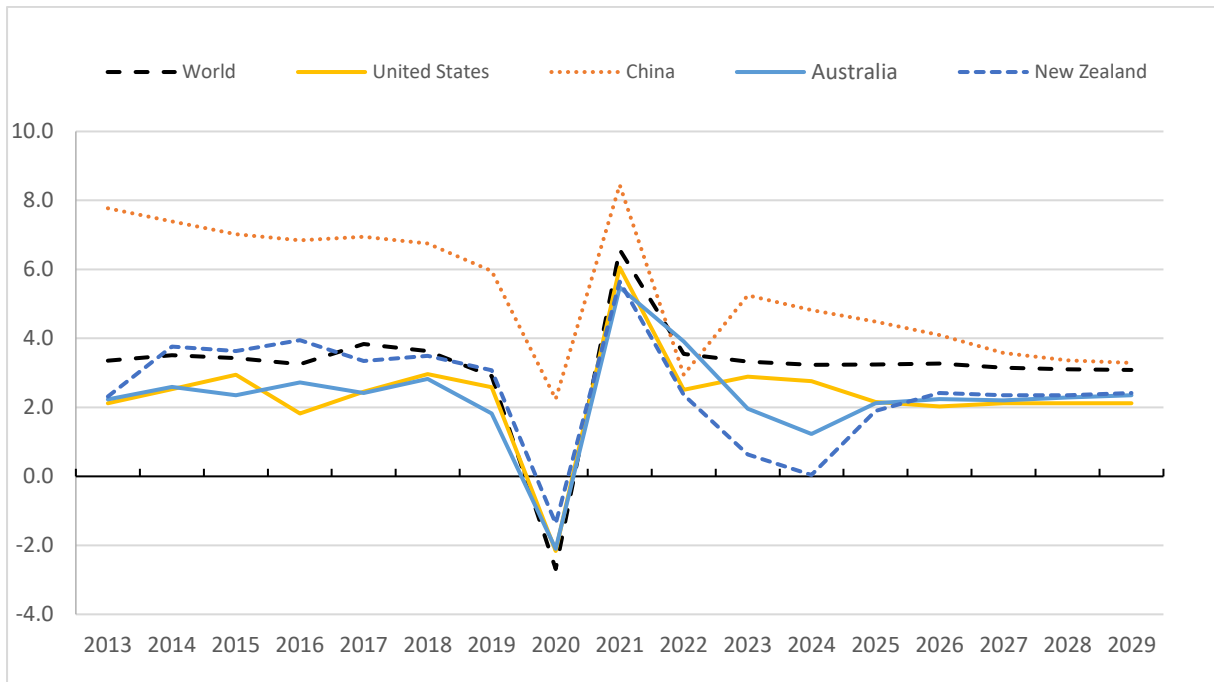
The IMF's *World Economic Outlook October 2024* edition, paints a promising view of the global economy, highlighting stable yet underwhelming global growth. Overall, the global economy has remained resilient despite some major challenges namely lingering effects of the pandemic, the war in Ukraine, and the cost-of-living crisis. The past four years have tested the resilience of the global economy, bringing out uneven performances across regions and lingering fragilities.

The negative supply shocks to the global economy since 2020 have had lasting effects on output and inflation with varied impacts across individual countries and country groups. The biggest contrasts are between advanced and developing economies where advanced economies have caught up with growth and inflation that had been forecasted pre-pandemic whereas developing economies are still playing catch up. Lasting effects on developing economies especially are large output short-falls and persistent inflation.

The IMF reports that the global battle against inflation is close to being won, however, risks to this situation loom. Global inflation peaked in the third quarter of 2022 at 9.4 per cent through the year. Headline inflation rates are projected to moderate at 3.5 per cent by the end of 2025 and this projection is just below the average level of inflation between 2000 and 2019. In many advanced economies, disinflation has been achieved with minimal impact on employment, partly due to favourable supply-side developments. These include a quicker-than-expected decline in energy prices and an unexpected rebound in labour supply, supported by significant immigration flows that eased pressure on labour markets.

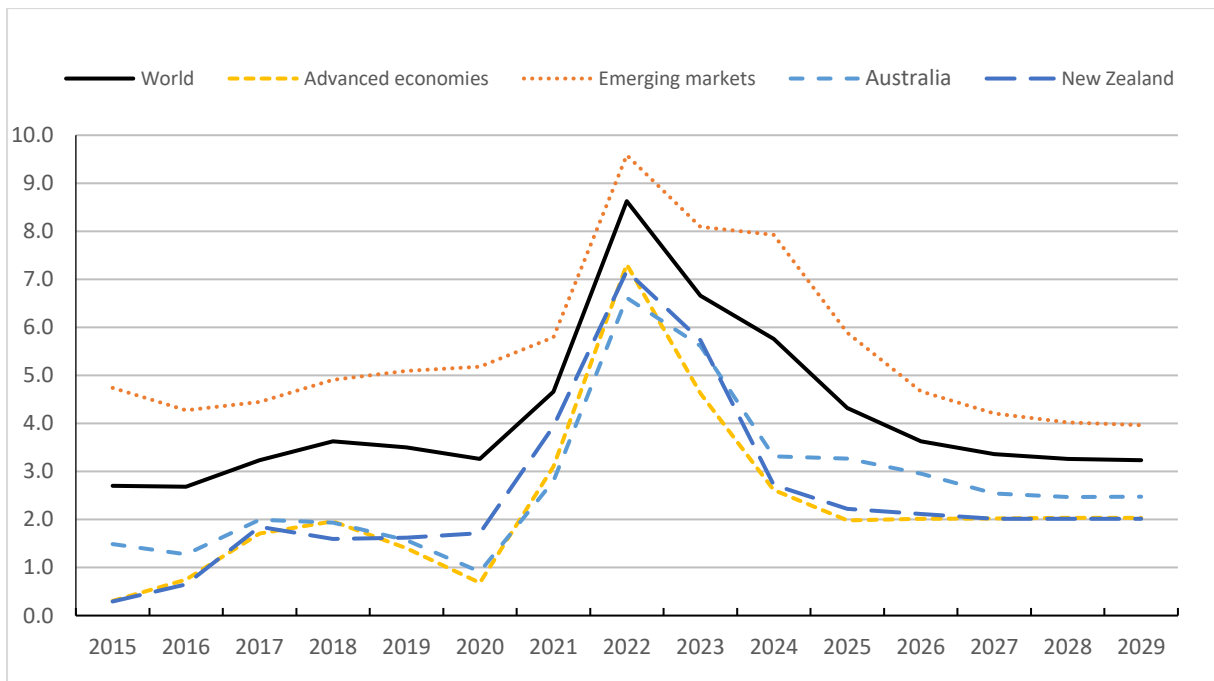
The Global growth forecast for 2024 and 2025 remains steady at 3.2 per cent, consistent with the projections in the July 2024 and April 2024 *World Economic Outlook reports*. However, underlying shifts reveal notable changes: upward revisions for the United States have offset downgrades for other advanced economies, particularly the major European nations. In emerging market and developing economies, factors such as production and shipping disruptions, especially in oil, along with conflicts, civil unrest, and extreme weather events, have lowered growth expectations for the Middle East, Central Asia, and sub-Saharan Africa. Conversely, upgrades in emerging Asia – fuelled by robust demand for semiconductors and electronics driven by significant artificial intelligence investments – have supported regional growth. Looking ahead, the global growth projection five years from now stands at 3.1 per cent (see Figure 4-3), modest compared to the pre-pandemic average. Structural challenges such as aging populations and sluggish productivity continue to constrain long-term growth prospects across many economies.

Figure 4-3 IMF GDP growth estimates, selected countries



The global growth forecast is expected to remain broadly flat – decelerating from 3.3 per cent in 2023 to 3.1 per cent by 2029 – having minimal adjustments since the April 2024 and October 2023 *World Economic Outlook* forecasts. While global forecasts have seen minimal changes since April, shifts at the country level, particularly in emerging markets and developing economies, reflect the impact of recent shocks and policy adjustments.

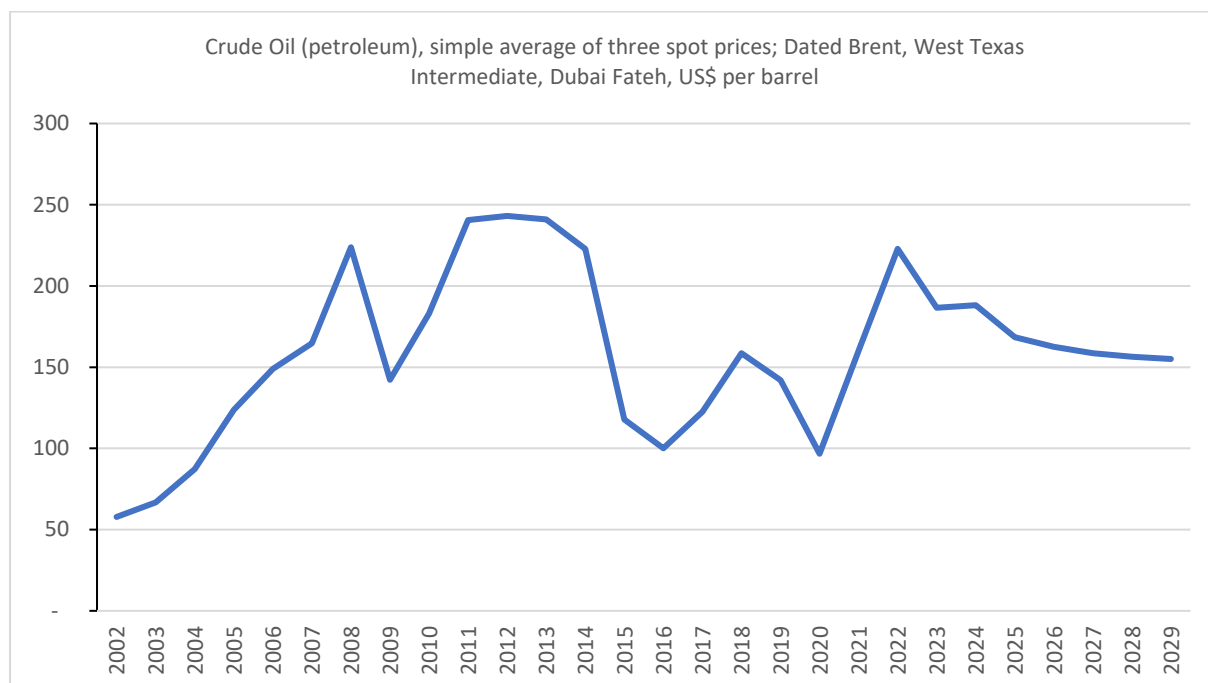
Figure 4-4 IMF inflation estimates, selected groupings and countries



The IMF projects global inflation to decline further, from 6.7 per cent in 2023 to 5.8 per cent in 2024 and 4.3 per cent in 2025, with advanced economies seeing faster disinflation than emerging markets.

Inflation in advanced economies is expected to stabilise at around 2.0 per cent by 2025, while emerging markets will see a slower decline due to regional variations (see Figure 4-4).

Figure 4-5 IMF oil price estimates, 2002 to 2028, index, 2016 = 100



The price of oil is a key driver for world economic conditions, as well as for the Cook Islands specifically. The Cook Islands position as a remote island nation, with a reliance on sea freight for our imports, inbound flights for our tourism sector, and diesel-based electricity generation means increases in oil price are in general a negative for the Cook Islands economy. The outlook for 2024 reflects a mix of challenges and adjustments. Oil prices (see Figure 4-5) are expected to rise by 0.9 per cent from 2023, though this is slightly less than forecast in April 2024. This is driven by OPEC+¹¹ production cuts, sustained global demand, and geopolitical tensions in the Middle East, despite robust non-OPEC+ supply growth.

4.5. Cook Islands Economy

4.5.1. Structure and Performance

The Services sector¹² plays a significant role in the Cook Islands' economy contributing substantially to economic activity. For the year ending June 2024, services accounted for 91.9 per cent of nominal GDP, up from 90.8 in 2023. This sector includes key industries such as Trade (constituting 18.5 per cent of the economy), Accommodation (making up 19.3 per cent), and Public Administration (contributing 7.5 per cent).

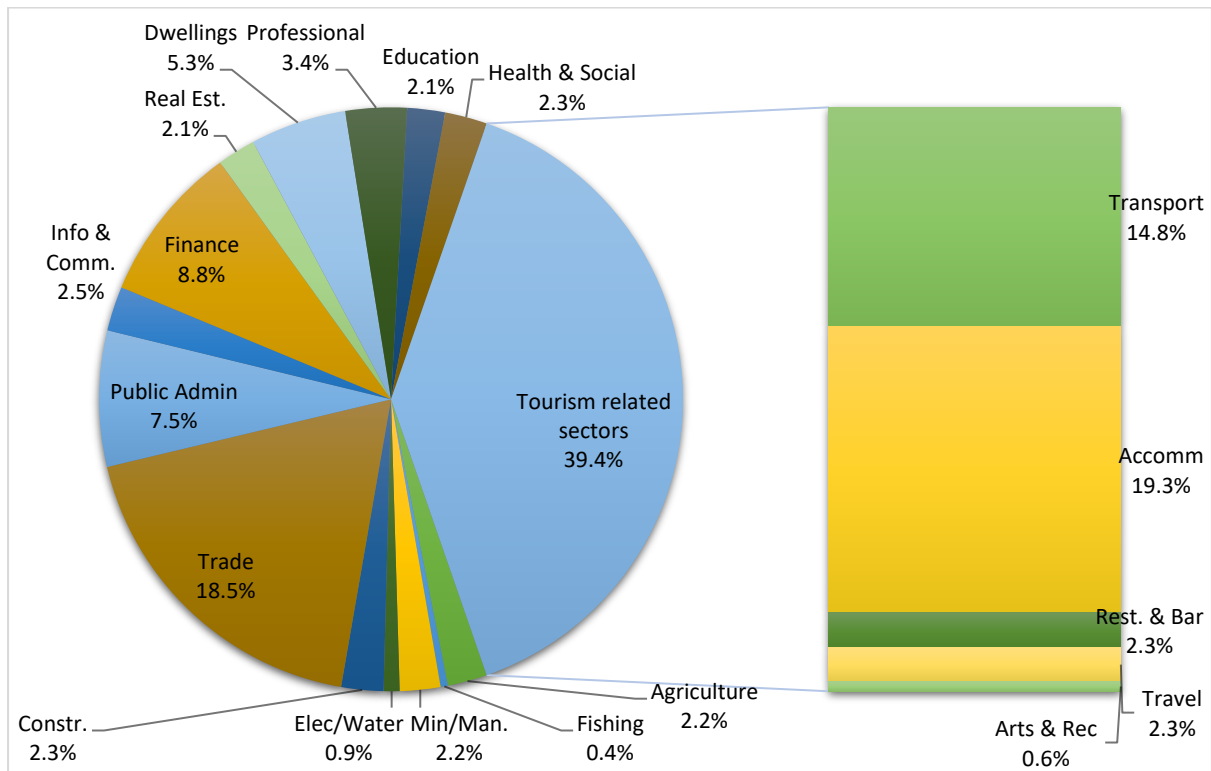
Figure 4-6 shows the composition of the Cook Islands economy by industry, highlighting the evident dominance of the services sector. Additionally, it depicts the relatively smaller yet strategically important roles played by sectors like Agriculture (2.2 per cent) and Construction (2.3 per cent) in the

¹¹ Organisation of the Petroleum Exporting Countries plus selected non-member countries, including Russia

¹² The 'services sector' comprises Trade, Transportation, Accommodation Services, Restaurants and Bars, Information and Communication, Finance and Insurance, Real Estate, Ownership of dwellings, Travel Agents & Tour Operators, Professional & Administrative Services, Public Administration, Education, Health and Social Work, and Arts, Recreation & Other Services.

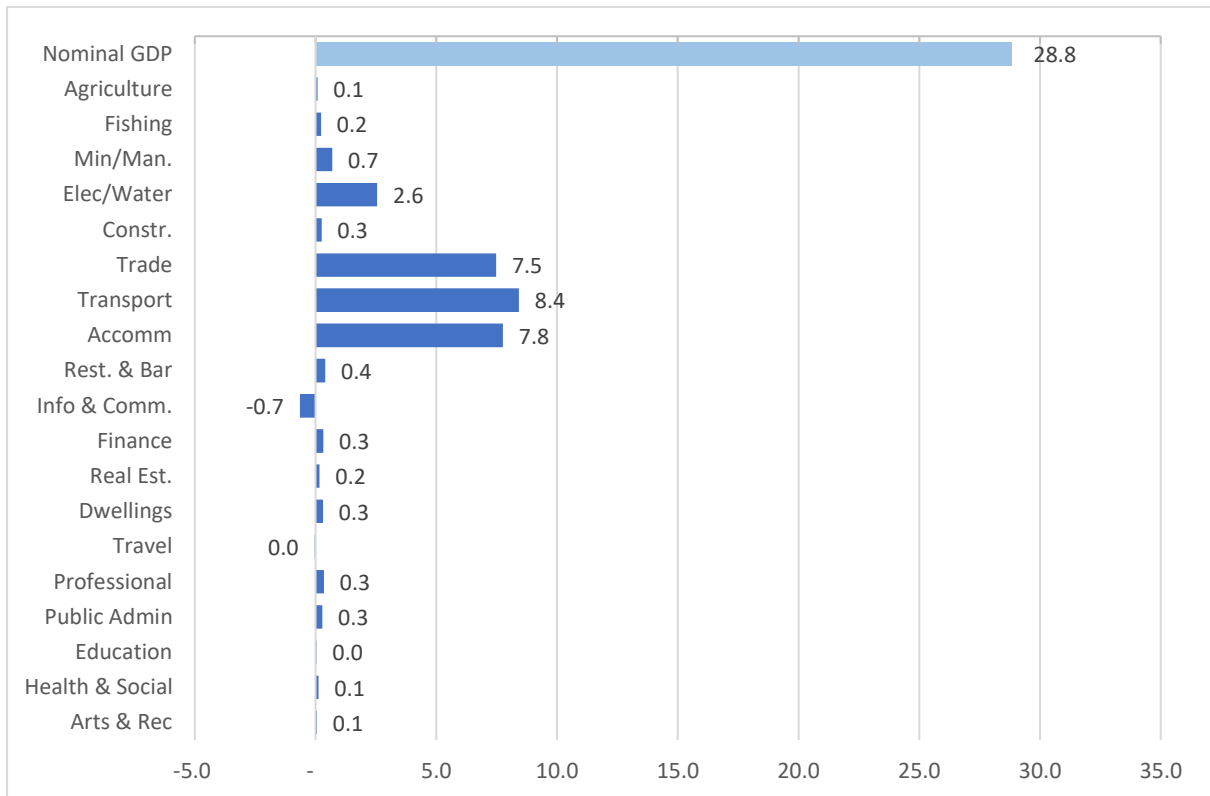
overall economy. Tourism-related sectors now contribute 39.4 per cent of nominal GDP, exceeding the pre-pandemic figure of 34.0 per cent in 2019.

Figure 4-6 Cook Islands economy by industry, 2023/24



For the 2023/24 fiscal year, the main drivers of nominal GDP growth were the Transport sector (8.4 percentage points), Accommodation (7.8 percentage points) and Trade (7.5 percentage points). The growth in these three sectors reflect the strong rebound in tourism. With the exception of Electricity and Water, most other sectors exhibited negligible growth; and Information and Communication declined slightly (by 0.7 percentage points), though this is driven by falling prices from greater competition in this sector.

Figure 4-7 Contribution to nominal growth over 2023/24 (percentage points)

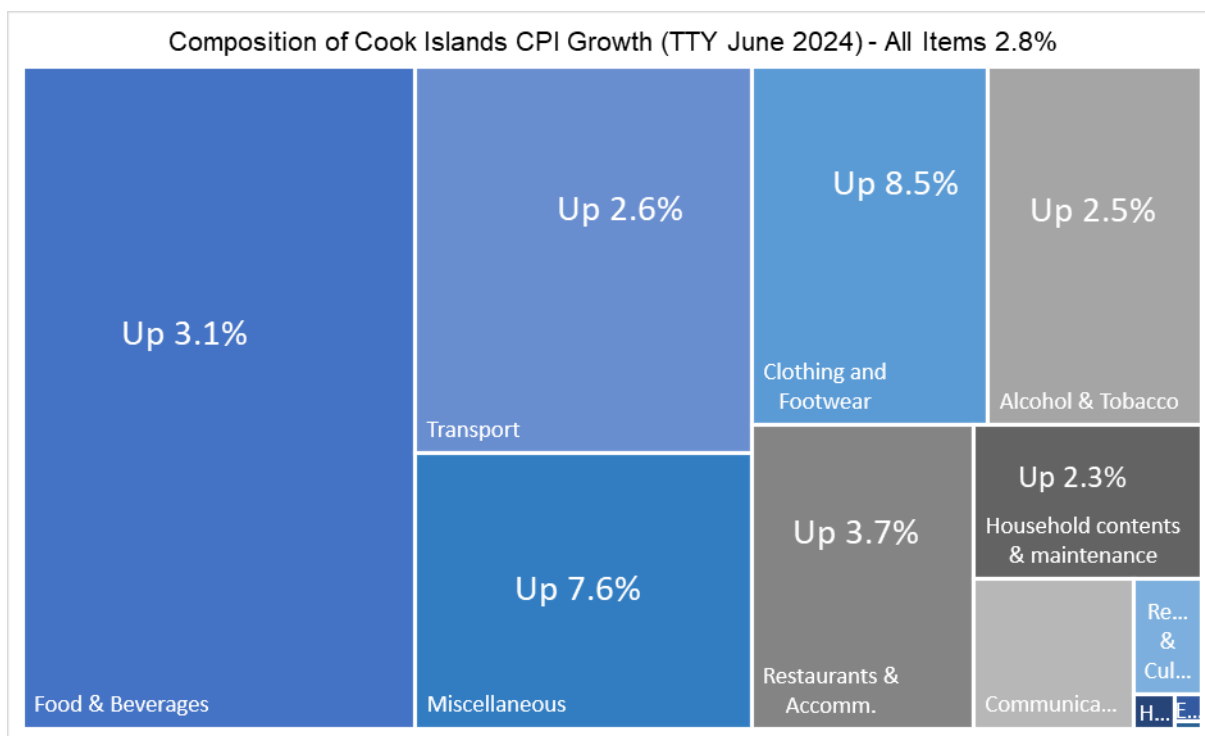


4.5.2. Prices and inflation

In the Cook Islands, inflation is measured by the CPI, a metric reported quarterly by the Cook Islands Statistics Office. Over the past six months, inflation in the Cook Islands has slowed compared to the previous six months, when there was a significant rise in inflation, however, the fall is not occurring as quickly as desired. The peak of inflation was observed in the 12-months leading up to December 2022, during which overall prices rose by 13.9 per cent. This marked the most rapid price growth in the Cook Islands in over a decade. Price growth has eased since then, but cost of living pressures remain. Over the 12-months to June 2024, inflation growth registered a more typical rate of 2.8 per cent, before reducing further to 2.6 per cent to September 2024.

The inflation observed across 2023/24 was driven primarily by Food & Beverages, which rose 3.1 per cent through the year, and Transport which rose 2.6 per cent (see Figure 4-8). Largely these have been driven by stickiness in prices through key trading partners, as the fundamental pressures leading to recent inflation have waned somewhat, but price growth has only slowed gradually over the past two years.

Figure 4-8 Composition of Cook Islands CPI Growth (through the year to June 2024)



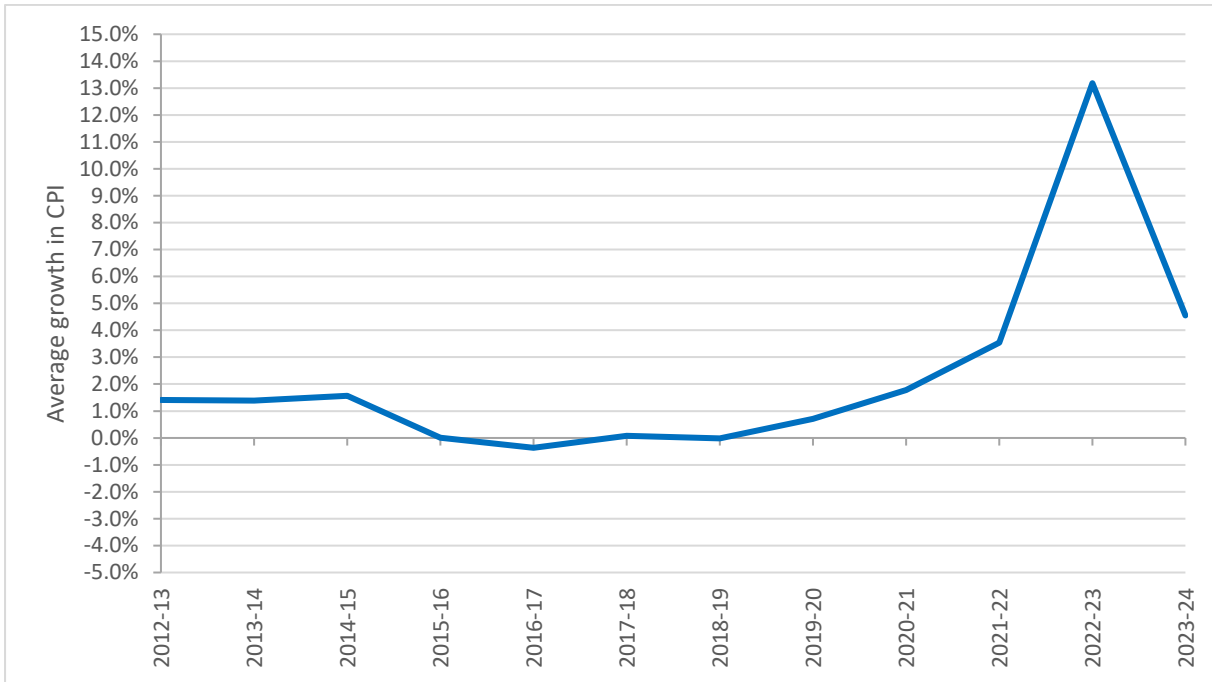
Presently, global oil prices are slightly below levels observed a year ago, which is helping to mitigate inflationary pressures, though this is sensitive to geopolitical factors around the world. These prices flow to the Cook Islands through long supply chains, and are impacted by a number of factors around logistics as well, which are responsible for more short-run fluctuations in price. Over the forward years, oil prices are expected to gradually decline from current levels, which should ultimately lead to less pressure on transport costs.

4.5.2.1. Year-average inflation

The section above, deals with ‘through the year (TTY)’ inflation – that is, the growth in prices from one point to another. This is the most commonly ‘felt’ inflation by people and businesses in the economy. The alternative measure of inflation is ‘Year Average’ inflation’, which examines the average growth in prices over a year. This approach is more useful when analysing longer time series, as it is less sensitive to the specific quarter in question and allows for within-year fluctuations to offset each other. However, ‘Year Average’ is more abstract, and may not be directly ‘felt’. When inflation is low and prices are stable, these two measures closely align. However, during periods of volatility, they may diverge to some extent.

Examining this measure over time reveals that, after the 2022/23 year witnessed the most substantial increase in prices over the last decade by a considerable margin (see Figure 4-9), price growth has since eased considerably, to 4.6 per cent in 2023/24.

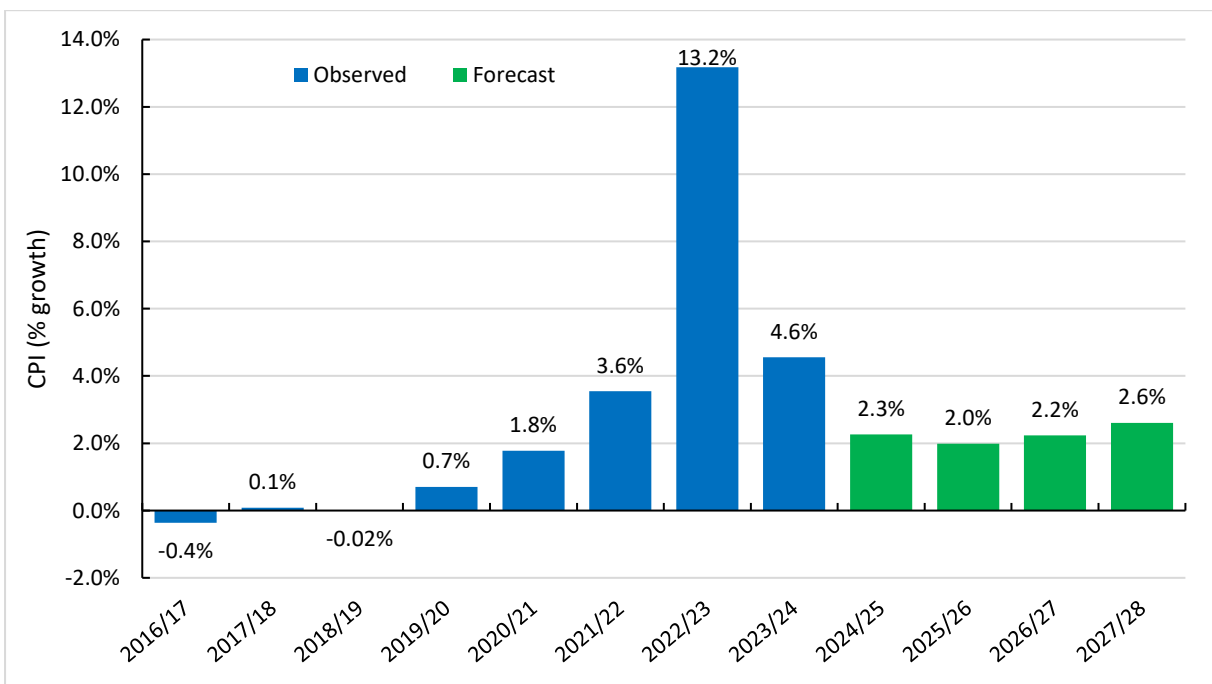
Figure 4-9 Cook Islands CPI, year average, 2012/13 – 2023/24 (percentage change)



4.5.2.2. Inflation forecasts

As shown in Figure 4-10, inflation is expected to continue returning to more common growth rates in 2024/25 to 2.3 per cent. This moderate rate is expected to remain in the subsequent years, with a price growth of 2.0 per cent in 2025/26 and 2.2 per cent in 2026/27. There are some risks to these forecasts, as several factors around the world may impact prices, including conflicts, potential trade policy posturing and supply chain constraints.

Figure 4-10 Annual average change in Cook Islands CPI (percentage)



4.5.3. Trade in Goods

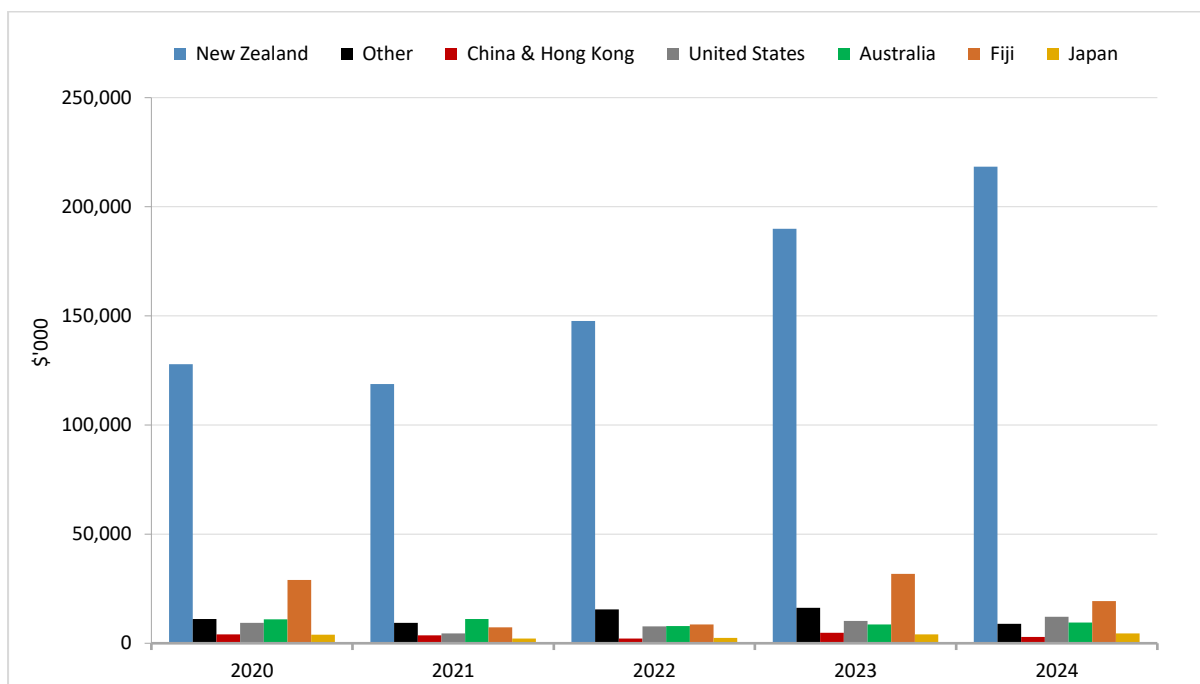
4.5.3.1. Goods imports

The Cook Islands is heavily reliant on imported goods to provide a range of goods and services due to its size and geographical characteristics.

The strength of the economic recovery over the past two years has included strong demand for imports, with the value of imports growing sharply in the 2022/23 year, and then continuing to grow at a more moderate rate of 3.8 per cent in 2023/24. The level of imports (\$275.7 million) represents 41.7 per cent of Gross Domestic Product, showing how critical imports are for the Cook Islands economy. The largest growth over the past two years has come in the Machinery & Equipment (\$22.1 million, or 48.5 per cent) and Food (\$18.9 million, or 40.8 per cent) categories, with a small decline shown in the Crude Materials category (\$0.6 million, or 9.4 per cent).

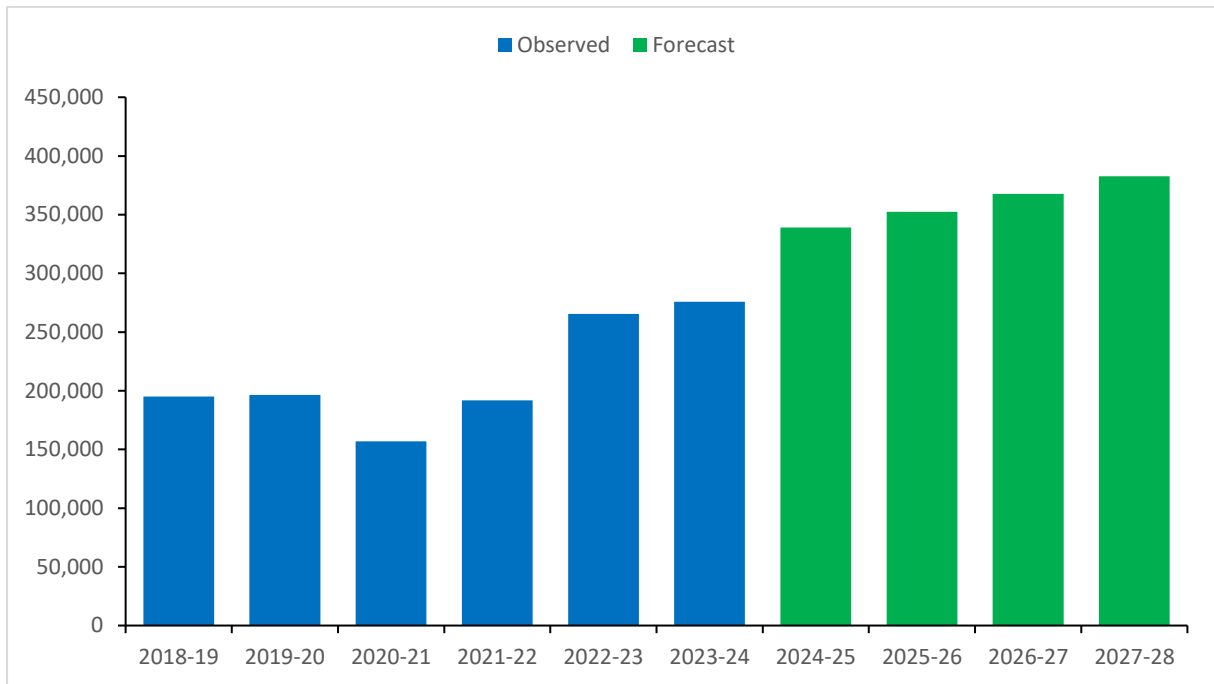
Regarding markets, the largest source market remains New Zealand, where 79.2 per cent of imports come from, and saw a 15.0 per cent growth in 2023/24, while other markets such as Fiji (the second-largest source market) saw reduced levels of imports (see Figure 4-11).

Figure 4-11 Import value by country of origin, year to June (\$'000)



Import growth is expected to increase in 2024/25, with strong growth in the September quarter already – showing 24 per cent higher imports than the corresponding quarter of 2023. This is driven by the same categories as recent growth – Machinery & Equipment and Food. From 2025/26 onward, this growth is expected to continue, though at a more moderate rate (see Figure 4-12).

Figure 4-12 Value of total imports, annual, 2018/19 to 2027/28, year to June (\$'000)

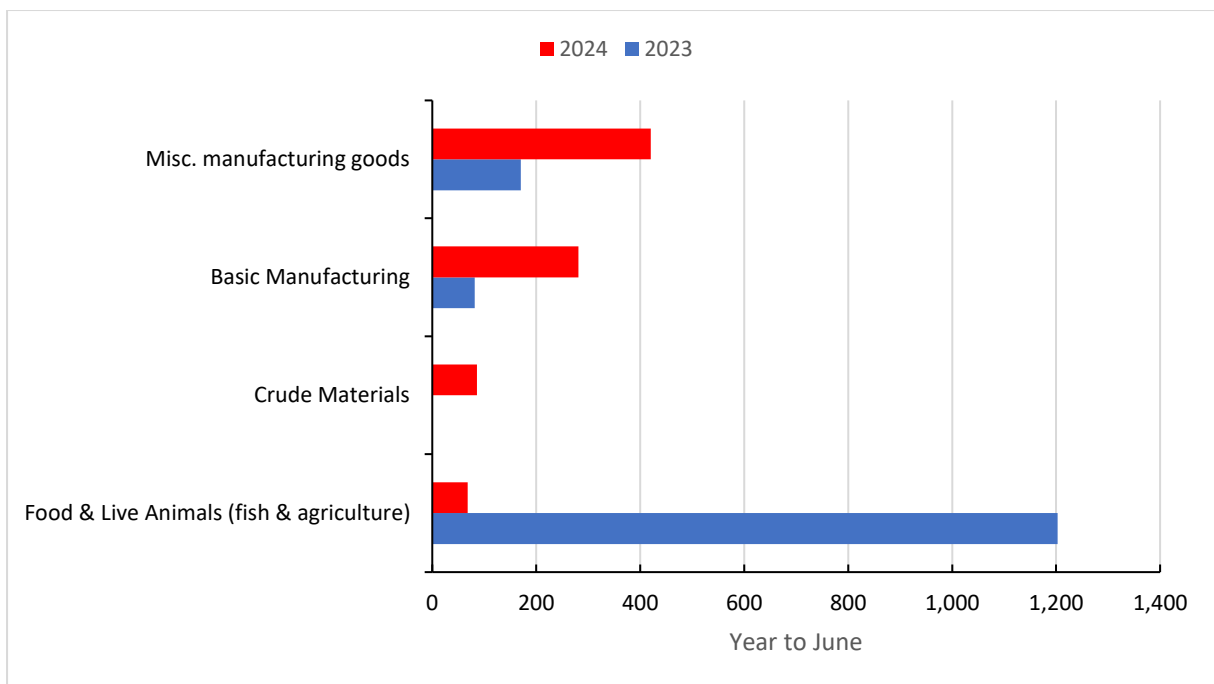


4.5.3.2. Goods exports

Total goods exports in the year to June 2024 remained minimal, experiencing a substantial decline of 41.2 per cent from the year to June 2023, dropping from \$1.5 million to \$0.9 million. This adjustment excludes fishing exports from foreign boats that do not make landfall in the Cook Islands.

This decline has been almost wholly driven by the category of food and animals (excluding foreign fishing). Conversely, basic manufacturing and miscellaneous manufacturing experienced increases over the year (see Figure 4-13). Going forward, goods exports are expected to remain at low levels.

Figure 4-13 Major goods exports, 2023 and 2024, year to June (\$'000)



4.5.4. Tourism

4.5.4.1. Aggregate visitor activity

Since the reopening of the borders in January 2022, visitors have returned at a quicker pace and in larger numbers, spending more than expected. It was a priority for the Government to re-establish airline routes and form new ones in order to resuscitate the tourism industry. As a result, a focus on airline route development has seen new routes such as the Sydney and Hawaii direct flight established and continued routes from Auckland and Pape’ete.

Total visitor numbers reached 163,342 over the 2023/24 fiscal year, close to the pre-pandemic levels of 166,818 in 2018/19. New Zealand remains the mainstay of the visitor market. However, the expansion of airline routes, has resulted in record numbers of visitors from Australia. The 2023/24 year saw 32,381 arrivals from Australia, up from 14,365 the previous year. This strong growth means that the Australian market now accounts for almost one fifth of total arrivals, up from 11.3 per cent in 2022/23.

The New Zealand market is expected to remain constrained over the next few months, due to ongoing challenges in aircraft availability. New Zealand visitor numbers are forecast to approach pre-pandemic levels in 2024/25, and stabilise thereafter.

Northern hemisphere markets are forecast to recover well, but remain small. The key change to the 2024/25 Budget forecasts is an upward revision to Australian arrivals. These are forecast to exceed 40,000 in 2024/25, taking total visitor numbers to 172,701. Growth in the Australian market will then ease back as airlines meet capacity, to continue at more modest rates over outyears (see Figure 4-14).

Figure 4-14 Total visitor arrivals, 12-month total, 2012/13 to 2027/28

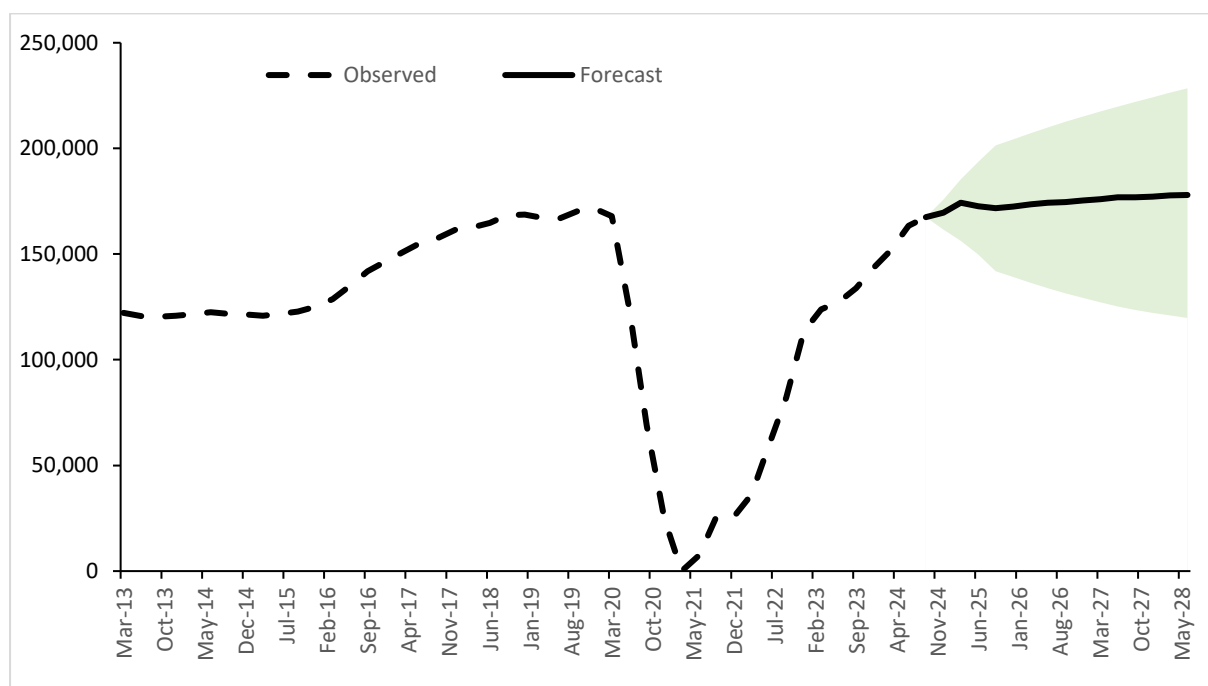


Table 4-3 Estimated total arrivals, quarterly, 2023/24 to 2027/28

Quarters	2023/24	2024/25f	2025/26f	2026/27f	2027/28f
September	47,345	51,482	50,432	50,733	50,784
December	40,772	42,832	43,696	44,455	44,780
March	29,276	34,106	35,090	35,643	36,243
June	45,949	44,281	45,153	45,973	46,154
Annual total	163,342	172,701	174,372	176,804	177,961

4.5.4.2. Major markets

As discussed above, the New Zealand market remains the largest tourism market for the Cook Islands, by some way. However, constraints on airline capacity from that market mean the prospects of growth are limited in the short term, and remaining between 111,000 and 116,000 visitors per year.

The strongest visitor growth market currently is the Australian market, on the back of more direct flights from Sydney to Rarotonga. This is expected to see Australian arrivals pass 40,000 for the first time in the 2024/25 year, showing some important diversification of markets for the tourism industry.

Other markets make up smaller, but strategically important parts of the visitor base, particularly for the low season. Connections to Northern Hemisphere markets via Honolulu and Pape'ete are important for maintaining these markets (see Table 4-4.)

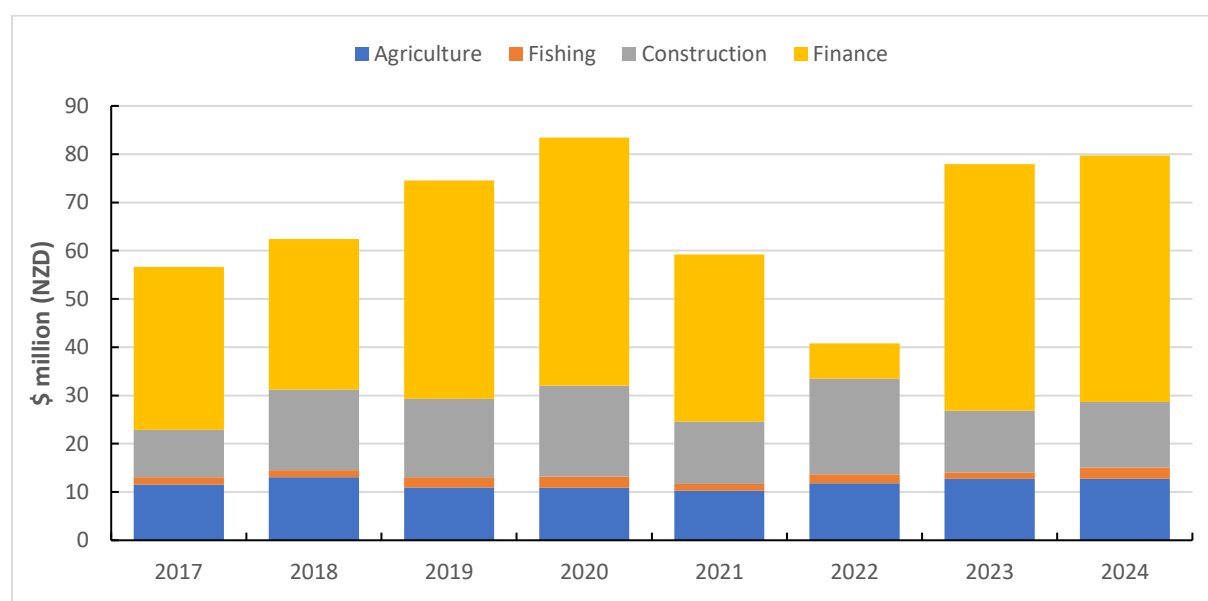
Table 4-4 Forecast total tourism numbers, by major market, 2023/24 to 2027/28

Markets	2023/24	2024/25f	2025/26f	2026/27f	2027/28f
New Zealand	111,020	114,814	113,770	113,284	112,905
Australia	32,381	40,518	42,355	44,008	45,677
USA & Canada	7,513	6,836	7,029	7,131	6,998
Europe	7,536	6,062	6,220	6,742	6,650
Other	4,892	4,472	4,998	5,638	5,731
Total	163,342	172,701	174,372	176,804	177,961

4.5.5. Other key industries

While Tourism is by far the largest sector in the Cook Islands, there are other sectors of importance including finance, agriculture, fishing and construction.

Figure 4-15 Contribution to Nominal GDP, 2016/17 to 2023/24 (\$ million)



4.5.5.1. Banking

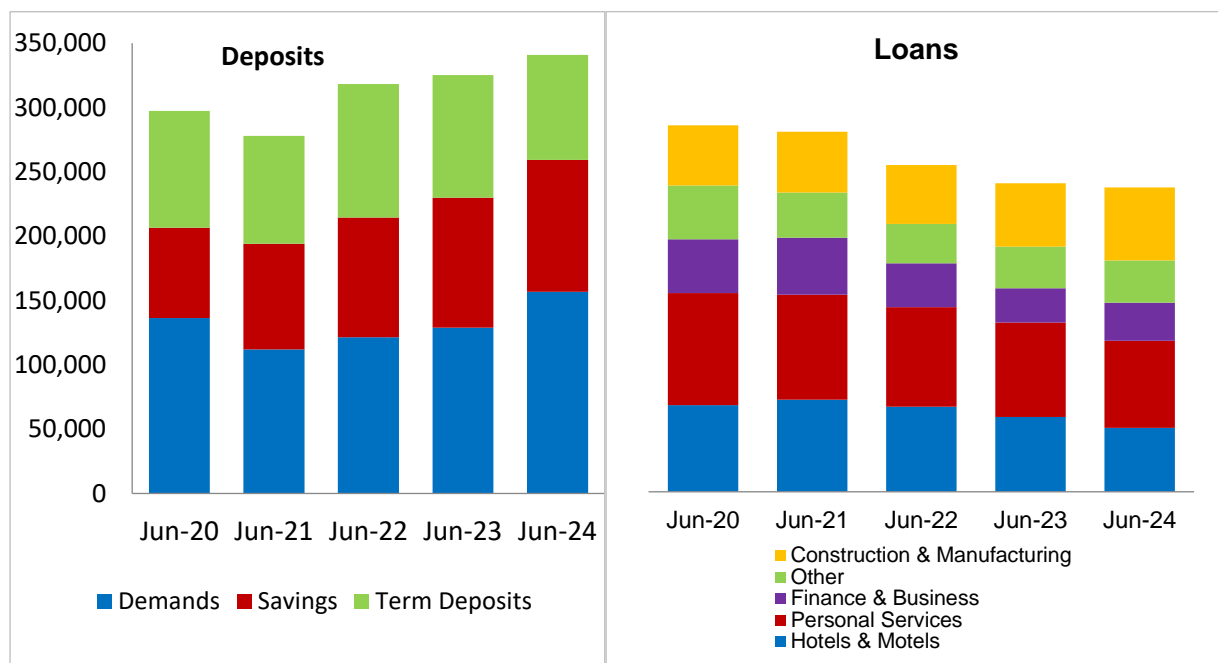
As of June 2024 (the latest available data), the total deposits in Cook Islands banks were 4.8 per cent higher than the previous year, increasing from \$325.2 million to \$340.9 million. This marks the second highest level of deposits in the data series, extending back to 2011, further showing the strength of the Cook Islands economy as the business environment has improved. The increase in deposits has been in demand deposits (increasing by \$27.9 million or 21.6 per cent) and a small growth in savings accounts (rising by \$1.5 million or 1.5 per cent), while a sizable reduction in term deposits (by \$13.6 million or 14.3 per cent), partially offsets these increases (see Figure 4-16).

When examining the total lending by Cook Islands banks as of June 2024, the banking leverage shows the lowest leverage ratio in the series – there is only \$0.68 of lending for every \$1.00 in deposits. Lending has experienced a further decline of 1.4 per cent (equating to \$3.2 million) from the previous year, as existing debt has been paid down, and there is hesitancy among both lenders and borrowers to take on new debt.

The overall decline masks two different directions of movement in the sector-by-sector data. The most substantial decline in outstanding debt, in terms of dollars, was the Hotels & Motels sector, where it decreased from \$56.7 million to \$48.5 million in the year. The second-largest contributor to this decline is a reduction in lending for Personal Services, experiencing an 8.0 per cent decrease of \$5.7 million. On the other side, lending for Construction (increase of 14.7 per cent, or \$7.1 million) and Finance (11.9 per cent or \$3.1 million) both increased. Overall, this highlights a highly liquid banking sector in the Cook Islands.

It is important note that government debt held outside of the Cook Islands is not included in this analysis as it is held by foreign entities like the ADB.

Figure 4-16 Total value of bank deposits and loans, June 2020 to June 2024 (\$'000)



4.5.5.2. Financial services industry

The financial services sector is a vital part of the Cook Islands economy, employing approximately 284 people, which represents 4.2 per cent of the nation's total workforce.¹³

The sector comprises three main commercial banks: ANZ Banking Group Limited (ANZ) and Bank of South Pacific (BSP) Limited are foreign-owned, while the Bank of the Cook Islands (BCI) Limited is government-owned. BCI operates extensively across the islands, facilitating essential government payments, including subsidies, pensions, and salaries, which contribute to a high level of banking access among residents. The sector also includes Capital Security Bank (CSB), a private institution providing banking and wealth management services to international clients.

Trust management is another cornerstone of the financial services industry. Licensed Trustee companies oversee approximately 3,100 international trusts and entities, generating \$1.3 million in government revenue from registration and renewal fees in 2023¹⁴. This area has grown due to global tax and regulatory trends, as well as the sector's ability to innovate and diversify. The introduction of the International Relationship Property Trusts under the 2021 legislation has positioned the Financial Services Development Authority (FSDA) to promote this product globally, with ongoing marketing efforts planned for 2024/25. The FSDA is also exploring potential new offerings such as segregated cell companies, to increase government revenue and create jobs over the medium to long-term.

The Cook Islands maintains a strong reputation for compliance with international standards. It is listed on the European Union's cooperative tax jurisdictions whitelist and received a top-tier assessment in 2017 from the Asia Pacific Group, a regional entity affiliate of the Financial Action Taskforce (FATF).

In terms of economic contribution, the financial services industry has experienced significant fluctuations, particularly during the pandemic. In 2022/23, the sector's GDP contribution rebounded to \$51.1 million and remained at that level in 2023/24, as one of the largest sectors in the Cook Islands economy. These changes reflect the sector's sensitivity to global and domestic events, but its role as a key driver of economic growth remains clear.

The Cook Islands' financial services industry continues to adapt and evolve, demonstrating its importance to the nation's economic resilience and development.

4.5.5.3. Housing and construction

The total value of building approvals in the Cook Islands for the year to June 2024 (the latest available data) grew strongly, moving from \$23.8 million in the year to June 2023 to \$25.2 million in the year to June 2024 (an increase of 5.9 per cent). This shows a growing confidence in the economy as investment pipelines are bouncing back. The primary contributor to this increase is Tourist Accommodation, experiencing a \$3.5 million rise, equivalent to 158 per cent. Combined with an offsetting decrease in Residential construction (down 19 per cent, or \$3.5 million) this tells a story regarding where market forces are incentivising investment, and it has implications for the long-term housing market as well.

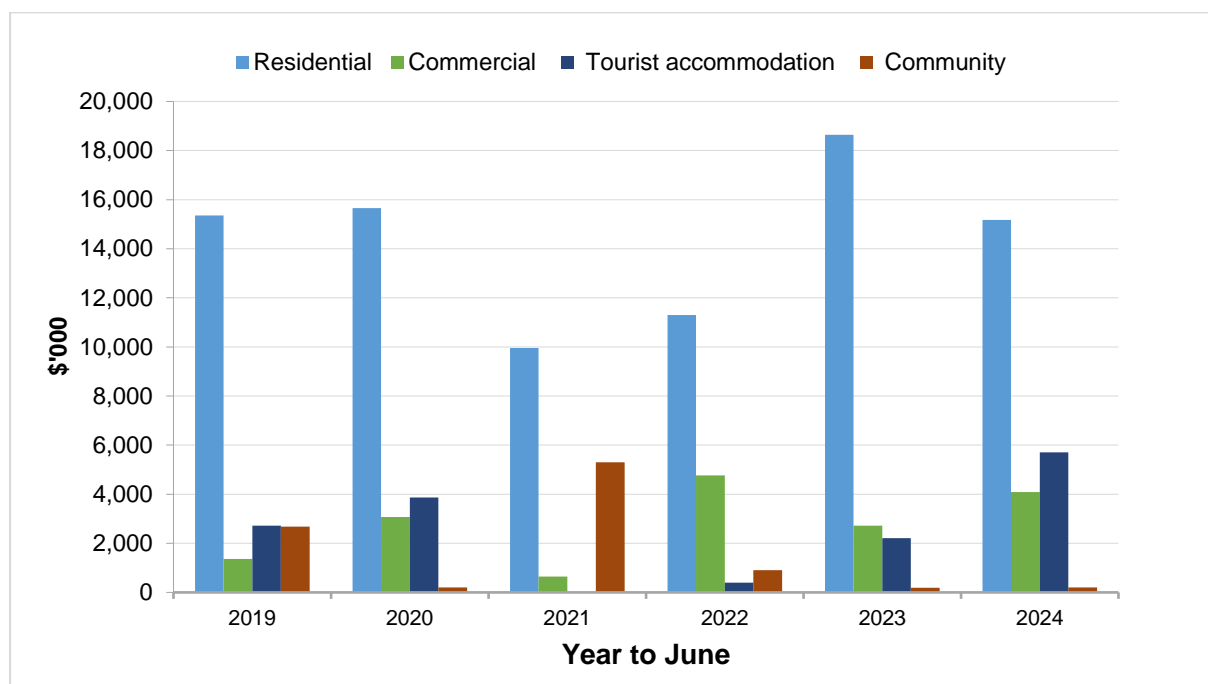
There is also a substantial increase in the Commercial sector (up by \$1.4 million) suggesting some confidence in the commercial sector. Community building approvals were largely unchanged. However, this series is more sporadic compared to other series as it is influenced by small numbers of large projects (Figure 4-17).

¹³ Based on a survey conducted as at 14 April 2024 by the Financial Services Development Authority. The employment rate is estimated using the number of active Cook Islands National Superannuation Fund members as a proxy for total employees in the Cook Islands. As at 31 December 2023 there were 6,813 active members.

¹⁴ KPMG 2023 report shows US\$857,498 reg/ren fees for 2023. Exchange rate at 31 Dec 2023 was NZ\$1.00 to US\$0.63 which is \$1,352,520.

Over the past year (to June 2024), the Construction sector has experienced a slight growth from the lower level of the previous year, increasing from \$12.8 million in 2022/23 to \$13.6 million in 2023/24. With building approvals increasing, this suggests an increase in this contribution to GDP in the future.

Figure 4-17 Building approvals, 2019 to 2024, year to June (\$'000)



4.5.5.4. Marine resources

The marine resources sector, which includes commercial fishing and pearl farming, continues to serve as a critical contributor to the Cook Islands' economic landscape. Although the sector represents less than half a per cent of GDP since 2012/13, its role remains essential due to the revenue generated from licensing, permits, and international fisheries agreements.

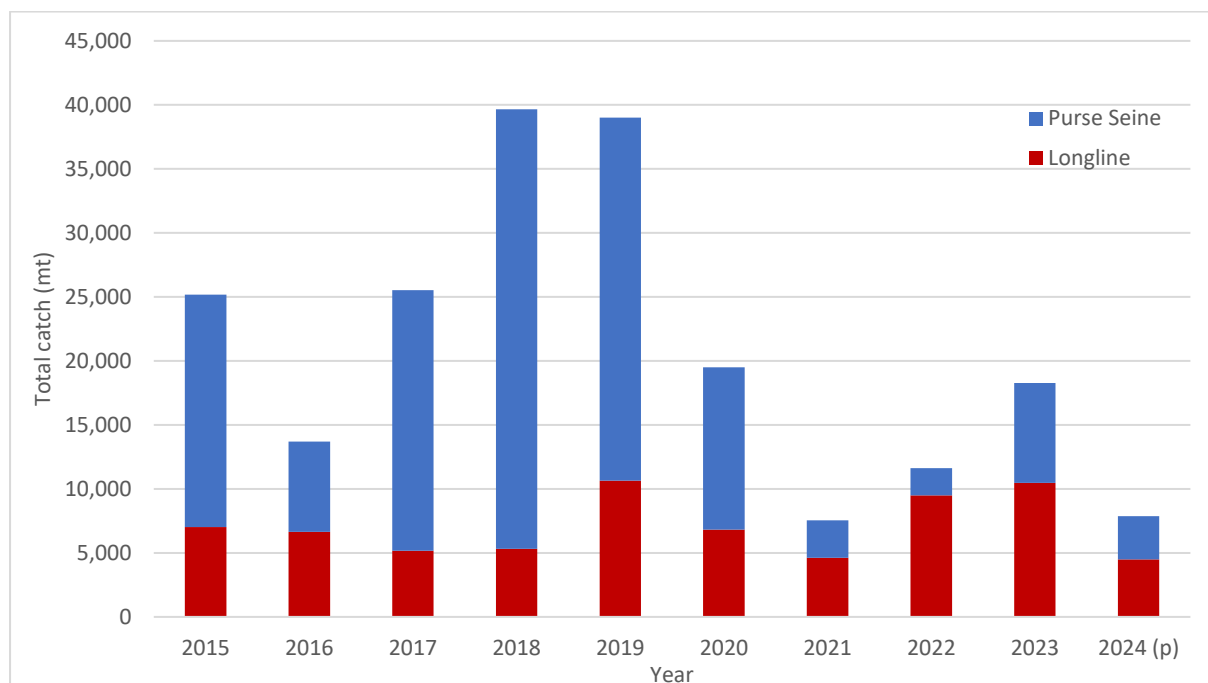
Key revenue from sources includes the longline Quota Management System (QMS), which operates under a total allowable catch model, and purse seine fishing days, regulated by the Western Central Pacific Fisheries Commission (WCPFC). Important agreements include a multilateral treaty with the United States and a sustainable fisheries partnership with the European Union (EU), both of which provide developmental assistance. Payments from the U.S. treaty, totalling approximately US\$930,000 in early 2024, are expected to contribute approximately \$7.5 million annually through to 2028.

In 2023/24, the sector generated \$9.0 million in fisheries revenue despite fluctuating fish stocks due to climatic changes, particularly La Nina. The Ministry of Marine Resources (MMR) issued licenses for 90 vessels in 2024, including 44 longline vessels, 32 purse seine vessels, 12 bunker vessels, one trawler, and one pot/trap vessel. Additionally, 236 local artisanal and game charter vessels reported catches to MMR, highlighting the local fishing activity.

Late 2023 saw a rise in longline catch rates following a shift from El Nino to El Nino Southern Oscillation (ENSO)-neutral conditions, though 2024 catch rates have not met expectations. With La Nina conditions anticipated between September and November 2024, demand for purse seine and longline access is expected to decrease, potentially impacting revenue forecasts for 2024/25, currently projected at \$12.0 million.

The purse seine fishery has driven significant growth, though its success depends heavily on fishing patterns affected by ENSO cycles, seasonal migrations, and purse seine vessel days pricing.

Figure 4-18 Fishery catch in the Cook Islands EEZ



Source: Ministry of Marine Resources, noting the 2024 data is provisional (p).

Table 4-5 Fishery catches in the Cook Islands EEZ by species (tonnes)

	2022			2023			2024 (p)		
	Longline	Purse Seine	Local	Longline	Purse Seine	Local	Longline	Purse Seine	Local
Albacore	6424	0	1	6930	0	1	2784	0	2
Bigeye	715	97	0	780	319	0	266	34	0
Yellowfin	1604	118	69	1926	420	73	964	88	50
Skipjack	145	1899	3	114	7069	3	149	3238	8
Other	608	2	41	717	4	50	342	2	29
Total	9496	2116	114	10467	7812	127	4505	3362	88

Source: Ministry of Marine Resources, noting the 2024 data is provisional (p).

Domestic fisheries are represented by one Cook Islands-flagged commercial fishing company that operates in the southern group waters of the Cook Islands. This company supplies the local market exclusively, with a recorded increase in deliveries to Rarotonga – 58 metric tons of fish in 2024 compared to 44 metric tons in 2023. No foreign vessels have offloaded in Rarotonga since 2017, and there are no exports during this period. Due to the resurgence of tourism, local fish prices have remained high, posing a challenge for commercial and artisanal fishers to meet the elevated demand. To address the supply gap, imports of pelagic species and other finfish from countries such as Tahiti, Mexico, Vietnam, New Zealand, and Fiji supplement the local market.

Overall, the marine resources sector remains integral to the Cook Islands’ economy, with future revenue projections conservatively estimated in light of climatic conditions, stock migrations, and market trends.

4.5.5.5. Agricultural activity and exports

In the 2023/24 period, the agricultural sector contributed approximately 1.9 per cent of nominal GDP, reflecting a decrease from 2022/23 as other sectors (primarily tourism) grew more rapidly. The primary focus of agricultural activities in the Cook Islands is to meet domestic consumption needs, with tourism providing an additional avenue for market access. This model allows the sector to benefit from an export-like dynamic without facing the logistical challenges typical of traditional export markets, such as freight costs.

The sector has seen increased production from both commercial and subsistent farmers, particularly on the island of Rarotonga. As a result, some of these farmers have expanded their activities to the Pa Enea such as Mangaia, Mauke and Aitutaki, by planting crops and transporting this produce to Rarotonga for sale. Rarotonga, in particular, has experienced a significant increase in production across three key produce categories: fruits, which rose by 41.3 per cent; root crops, which increased by 10.6 per cent; and vegetables, which saw a notable 41.7 per cent growth.

Table 4-6 Total value of produce in 2023 (\$'000)

	Fruits	Root-crops	Vegetables	Herbs	Total
Rarotonga	373	188	51	1	603
<i>Aitutaki</i>	2	1	1	0	4
<i>Atiu</i>	0	0	0	0	0
<i>Mangaia</i>	1	1	1	0	3
<i>Mauke</i>	2	1	0	0	3
<i>Mitiaro</i>	0	0	0	0	0
Pa Enea Total	5	3	2	0	10
Total	378	191	53	1	623

Source: Ministry of Agriculture

While export volumes remain limited, the agricultural export sector has seen incremental success in markets such as New Zealand, where frozen taro shipments averaged 1,000 kilograms per shipment by air. Additionally, small quantities of vanilla were exported to the United States of America, while other agricultural commodities including taro, tarua, cassava, and coconut products were exported to both to New Zealand and Australia. These exports totalled over 90,000 kilograms in 2023, marking a 13 per cent increase from the previous year.

In terms of livestock, the Ministry of Agriculture has identified several common challenges, poor husbandry practices, insufficient nutritional provisions, and inadequate shelter, particularly for pigs. The Ministry is working to address these issues through targeted interventions, including the provision of paraveterinary support and the necessary tools and medication, especially in the Pa Enea.

Overall, the agricultural sector remains a vital component of the Cook Islands' economy, and is expected to build upon its gains and address challenges to ensure its ongoing sustainability and growth.

5. Government Financial Statistics Statement

The Government Financial Statistics (GFS) Operating Statement provides a breakdown of the Government's financial performance. All funds managed at the general government level such as the Loan Reserve fund and Official Development Assistance (ODA) are included in the statement.

Table 5-1 GFS Operating Statement (\$'000)

Statement of Government Operations	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
REVENUE	219,912	298,673	257,008	239,733	244,512
Taxes	167,411	182,387	191,178	196,868	204,759
Social contributions	0	0	0	0	0
Grants	14,297	90,041	38,937	13,971	10,180
<i>Current</i>	8,497	40,737	28,537	13,971	10,180
<i>Capital</i>	5,800	49,303	10,400	0	0
Other revenue	38,204	26,245	26,893	28,894	29,572
EXPENSE	201,912	258,854	235,169	222,863	219,087
Compensation of employees	72,395	80,543	81,151	83,033	83,593
Use of goods and services	54,071	91,814	77,212	65,830	61,752
Depreciation	13,473	15,259	15,259	15,181	15,181
Interest	8,960	11,930	10,994	10,156	9,328
Subsidies	19,944	27,826	19,819	18,321	18,612
Grants	0	0	0	0	0
Social benefits	23,907	25,107	25,324	25,617	25,897
Other expense	9,162	6,375	5,411	4,724	4,724
NET OPERATING BALANCE	18,000	39,819	21,839	16,870	25,425
<i>Plus</i> NON CASH APPROPRIATIONS					
Depreciation	13,473	15,259	15,259	15,181	15,181
CASH SURPLUS/(DEFICIT) FROM OPERATING TRANSACTIONS	31,473	55,078	37,097	32,052	40,607
CASH TRANSACTIONS IN NONFINANCIAL ASSETS					
Net Cash Applied to the Acquisition of Fixed Assets	21,696	75,716	25,064	18,813	19,687
Gross transactions in Non-Financial Assets	35,169	90,975	40,322	33,995	34,869
Less Non-Cash Transactions in Non-Financial Assets (Depreciation)	(13,473)	(15,259)	(15,259)	(15,181)	(15,181)
NET (BORROWING)/LENDING	9,778	(20,638)	12,033	13,238	20,919
CASH APPLIED TO THE NET ACQUISITION OF FINANCIAL ASSETS	(5,309)	14,500	(5,237)	(6,253)	(869)
Domestic Transactions	(5,309)	14,500	(5,237)	(6,253)	(869)
Foreign Transactions	0	0	0	0	0
CASH APPLIED TO THE NET INCURRENCE OF LIABILITIES	15,087	(35,138)	17,271	19,493	21,787
Domestic Transactions	0	0	0	0	0
Foreign Transactions	15,087	(35,138)	17,271	19,493	21,787
NET CASH FINANCING TRANSACTIONS	9,778	(20,637)	12,034	13,239	20,918
<i>Statistical discrepancy</i>	0	1	0	1	(1)

5.1. GFS Net Operating Balance

The GFS net operating balance is determined by subtracting operating expenditure from operating revenue. For the 2023/24 fiscal year, an operating surplus of \$18.0 million was recorded, as total operating revenues of \$219.9 million exceeded the year-end operating expenditure of \$201.9 million.

Revisions to the 2024/25 estimates have resulted in an adjusted operating surplus of \$39.8 million, which is lower than the initially projected surplus of \$52.4 million in the 2024/25 Budget. This adjustment is primarily due to a slight decrease in operating revenues, which now total \$298.7 million

(compared to the budgeted \$299.2 million), as well as an increase in operating expenditure, which has risen to \$258.9 million (compared to the budgeted \$246.8 million).

With the expected recovery in tax revenue receipts and a gradual reduction in expenditure, the GFS net operating balance is forecasted to maintain operating surpluses over the medium-term.

5.1.1. GFS Operating Revenue

Table 5-2 Total GFS Operating Revenue (\$'000)

	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Taxes	167,411	182,387	191,178	196,868	204,759
Social contributions	0	0	0	0	0
Grants	14,297	90,041	38,937	13,971	10,180
<i>Current</i>	8,497	40,737	28,537	13,971	10,180
<i>Capital</i>	5,800	49,303	10,400	0	0
Other revenue	38,204	26,245	26,893	28,894	29,572
Total Operating Revenue	219,912	298,673	257,008	239,733	244,512

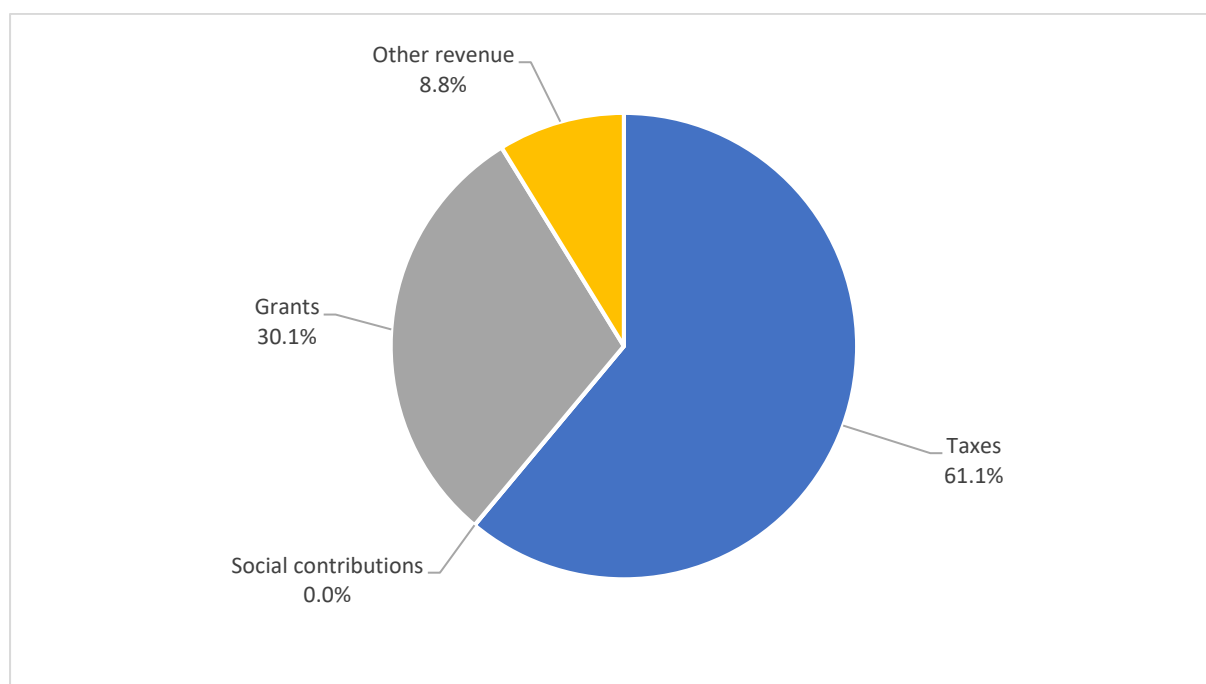
In the 2023/24 fiscal year, GFS operating revenues totalled \$219.9 million, with taxation revenue contributing \$167.4 million. This total includes revenues that were lower than anticipated in some areas, such as fisheries, where the final revenue amounted to \$10.9 million, which is \$5.1 million below the estimated figure of \$16.0 million at the time of the 2024/25 Budget. The shortfall is largely due to a decline from purse seine fisheries, which decreased by \$4.7 million, as well as a \$0.7 million reduction in longline license revenues.

Tax receipts were slightly below expectations, with reductions observed across most tax types. These include income tax (down by \$1.7 million), company taxes (down by \$0.7 million), excise duties (down by \$7.4 million), and departure taxes (down by \$2.6 million). However, these decreases were largely offset by increases in revenue from value-added tax (up by \$14.0 million) and withholding taxes (up by \$0.7 million).

The revenues generated from these streams are essential for funding government's daily operational expenses. Any surplus is directed towards investments in activities such as infrastructure development projects or the accumulation of cash reserves.

Looking ahead, operating revenues are expected to recover over the medium-term, with tax revenue collections forecasted to reach \$204.8 million by 2027/28. The anticipated growth in tax receipts is expected to offset the projected declines in grant revenues and other income sources from 2025/26 onward, as most contractual agreements for grants typically conclude after a three-year period.

Figure 5-1 GFS operating revenue, 2024/25 HYEFU



As shown in Figure 5-1, operating revenue is primarily derived from taxation receipts, which accounts for 61.1 per cent of total revenue in 2024/25, a decrease from 76.1 per cent in 2023/24, largely due to the growth in other revenue sources.

In particular amongst these sources, grants from other governments represent 30.1 per cent of total revenue in 2024/25, marking a significant increase from 6.5 per cent in 2023/24. This rise is largely attributed to the inclusion of the Infrastructure Trust Fund and Kerekere Moana financing, totalling \$48.0 million.

Other revenue sources, including fisheries revenues, agency trading revenues, and interest and dividend receipts, contribute 8.8 per cent in 2024/25, down from 17.4 per cent in 2023/24. The decrease is primarily due to a reduction in core sector support, which fell from \$9.1 million in 2023/24 to zero in 2024/25, although negotiations to finalise the agreement are well advanced.

5.1.2. GFS Operating Expenditure

Table 5-3 Total GFS Operating Expenditure (\$'000)

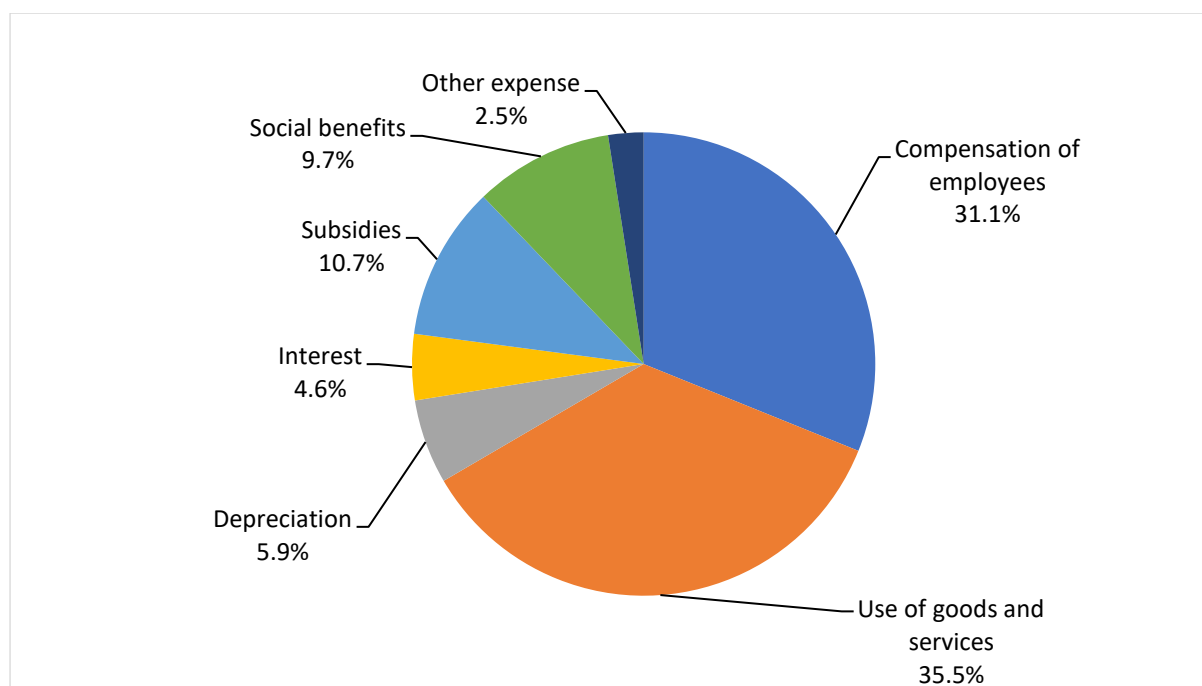
	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Compensation of employees	72,395	80,216	80,543	81,151	83,033	83,593
Use of goods and services	54,071	81,739	91,814	77,212	65,830	61,752
Depreciation	13,473	15,259	15,259	15,259	15,181	15,181
Interest	8,960	11,930	11,930	10,994	10,156	9,328
Subsidies	19,944	22,991	27,826	19,819	18,321	18,612
Grants	0	0	0	0	0	0
Social benefits	23,907	27,285	25,107	25,324	25,617	25,897
Other expense	9,162	7,377	6,375	5,411	4,724	4,724
Total Operating Expenditure	201,912	246,796	258,854	235,169	222,863	219,087

The total GFS operating expenditure for 2023/24 is reported at \$201.9 million, a decrease of \$4.4 million compared to the estimated \$206.3 million presented in the 2024/25 Budget.

The projected operating expenditure for 2024/25 has been revised upward to \$258.9 million, an increase from the originally estimated \$246.8 million, reflecting a total increase of \$12.1 million (see Table 5-3). This revision accounts for additional expenditure approved through executive orders (\$0.3 million) and carry-forwards (\$17.7 million) during the first half of the 2024/25 fiscal period, which is partially offset by savings in other areas.

Looking ahead, total GFS operating expenditure is expected to decrease to \$235.2 million in 2025/26, before stabilising over the medium-term. This trend is influenced by one-off expenditure items and growing uncertainty surrounding recurring ODA expenditure in the future. As a result, there is a significant likelihood of receiving confirmation for ODA-funded programmes during this period, which may lead to higher expenditure.

Figure 5-2 GFS operating expenditure, 2024/25 HYEFU



As shown in Figure 5-2, the largest components of government operating expenditure for 2024/25 are the use of goods and services, which accounts for 35.5 per cent, and compensation of employees, which represents 31.1 per cent. The remainder of operating expenditure is distributed amongst subsidies (10.7 per cent), social benefits (9.7 per cent), depreciation (5.9 per cent), interest (4.6 per cent) and other expenses (2.5 per cent).

5.1.2.1. Compensation of Employees

In the 2023/24 fiscal year, spending on compensation of employees totalled \$72.4 million, slightly below the estimated actuals of \$73.4 million reported in the 2024/25 Budget.

Looking ahead, this expenditure is projected to increase to \$80.5 million, reflecting a modest increase of \$0.3 million. This is due to the approval of carry-forwards for short-term contracts and the backfilling of personnel budgets for certain government agencies.

5.1.2.2. Use of Goods and Services

The total spending on the use of goods and services differs from the figures reported in other sections of the Half-Year Economic and Fiscal Update (HYEFU) Estimates, as it includes recurring ODA expenditure.

In the 2023/24 fiscal year, expenditure on goods and services totalled \$54.1 million, which is significantly higher than that the \$49.4 million reported in the 2024/25 Budget.

For 2024/25 fiscal year, expenditure on goods and services is estimated at \$91.8 million, a notable increase compared to the \$81.7 million reported in the 2024/25 Budget. This increase is primarily due to the approval of carry-forwards for various expenditure lines such as the Road Asset Management & Improvement Programme (\$2.1 million), the Economic Recovery Roadmap (\$2.1 million), Inter-island Shipping (\$0.6 million), and Patient Referrals (\$0.4 million).

Looking ahead, projected expenditure in this category is expected to decrease over the medium-term. This reduction is largely attributed to a decline in ODA expenditure in the forward years, due to the conclusion of some contractual agreements.

5.1.2.3. Consumption of Fixed Capital

Total depreciation expenditure for the 2023/24 fiscal year is reported at \$13.5 million, slightly lower than the estimated actual of \$13.8 million outlined in the 2024/25 Budget. The projected depreciation for 2024/25 is expected to increase to \$15.3 million, before stabilising over the medium-term to \$15.2 million by 2026/27. This adjustment is primarily driven by technical adjustments made to the depreciation baselines of the government agencies.

5.1.2.4. Interest (Debt Servicing Payments)

In the 2023/24 fiscal year, debt interest contributions to the Loan Repayment Fund (LRF) totalled \$8.9 million, in line with the figures reported in the 2024/25 Budget.

For the 2024/25 fiscal year, estimated interest expenses are projected to be \$11.9 million, with a decline to \$11.0 million expected in 2025/26. Following this, interest expenses are anticipated to decrease slightly and stabilise over the medium term, as the debt profile reduces and expected floating interest rates decrease.

5.2. GFS Non-Operating Items

Cash transactions in non-financial assets relate to capital activities, including investments in infrastructure, the purchase of plant and equipment, and information and communications technology (ICT) by both the Crown and development partners.

In the 2023/24 fiscal year, the total expenditure on the purchase of non-financial equipment assets (excluding depreciation) was \$21.7 million, slightly below the estimated figure of \$24.8 million reported in the 2024/25 Budget. Furthermore, the updated estimates for the 2024/25 fiscal year show an increase of \$7.3 million in the purchase of non-financial assets, bringing the total to \$75.7 million. This increase is primarily due to the approval of carry-forwards during the 2024/25 fiscal period.

Going forward, the forecast indicates a decline in cash transactions in non-financial assets, primarily due to the reduction in ODA capital grant agreements. As explained before, ODA funding is agreed upon over a shorter forward time period.

5.2.1. Net Borrowing / Lending and Cash Financing Transactions

The Net Borrowing/Lending Requirement represents the amount of financing needed to cover both operating and capital balances, with these funds being sourced from either assets (primarily accumulated cash reserves) or liabilities (mainly loan financing).

For the 2023/24 fiscal year, the net borrowing/lending requirement resulted in a surplus of \$9.8 million, reflecting higher-than-anticipated cash balances compared to the estimates presented in the 2024/25 Budget, which had projected a surplus of \$5.1 million.

Looking forward, updates to the 2024/25 estimates for net borrowing/lending requirements indicate a deficit of \$20.6 million, an increase of \$19.9 million from the previously estimated deficit of \$0.7 million in the 2024/25 Budget. This change is primarily due to the drawdown of a new loan from the Asian Development Bank totalling \$49.7 million, as well as adjustments in estimates for net cash applied to the acquisition of fixed assets (capital projects), resulting from the \$10.6 million carried forward to the 2024/25 fiscal period. As the economy recovers over the forecast period, the financing gap is expected to narrow.

There are some minor movements not reflected in the GFS schedules, primarily related to the classification of reserves in the financial schedules. The statistical discrepancy shown in the GFS Operating Statement is largely due to timing differences between project implementation and the funding received in the Crown account.

5.3. Classification of Functions of Government

The Classification of the Functions of Government (COFOG) organises government expenditure data according to the intended purpose of the funds. This standardised classification facilitates comparisons of functional expenditure across different jurisdictions.

At the highest level, the COFOG includes 10 main functions, with a further breakdown into 69 sub-functions. Table 5-4 provides a detailed breakdown of the Budget to the sub-functional level for both Cook Islands Government spending and ODA, excluding categories with no expenditure.

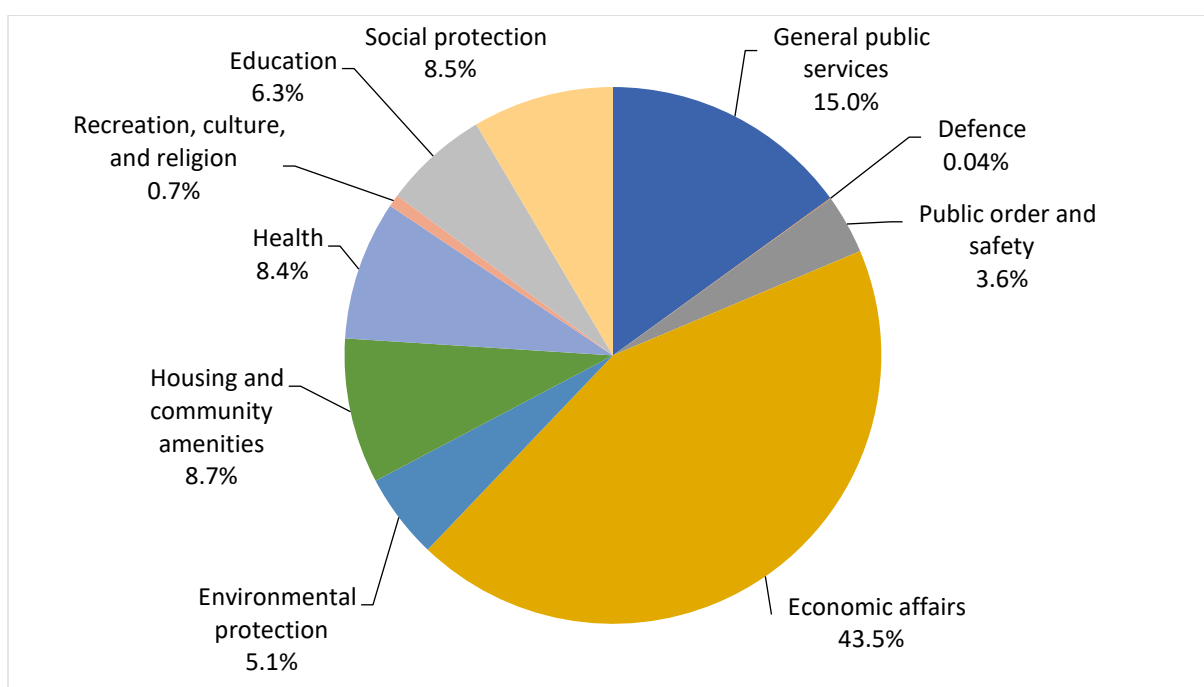
Table 5-4 Classification of Functions of Cook Island Government (\$'000)

Function of Government	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Cook Islands Government (CIG) Expenditure					
General public services	46,971	49,981	43,978	44,999	44,163
Executive and legislative organs, financial and fiscal affairs, external affairs	30,840	30,931	27,250	27,737	27,529
General services	6,272	5,984	4,699	6,071	6,271
Basic research	80	80	80	80	80
General public services	819	1,056	955	955	955
Public debt transactions	8,960	11,930	10,994	10,156	9,328
Defence	152	134	134	134	134
Defence n.e.c.	152	134	134	134	134
Public order and safety	10,761	11,965	11,733	12,085	12,045
Police services	5,547	5,313	5,357	5,442	5,442
Fire protection services	248	230	230	230	230
Law courts	2,429	3,152	2,931	2,869	2,869
Prisons	1,148	1,180	1,180	1,180	1,180
Public order and safety n.e.c.	1,389	2,091	2,035	2,365	2,325
Economic affairs	60,778	84,912	71,029	73,663	74,965
General economic, commercial, and labour affairs	12,458	16,528	12,992	13,010	13,523
Agriculture, forestry, fishing, and hunting	3,167	3,939	4,097	4,022	4,022
Fuel and energy	2,441	2,163	2,198	2,200	2,200
Mining, manufacturing, and construction	1,206	1,837	1,476	1,478	1,478
Transport	29,146	44,773	32,829	35,196	36,234
Communication	1,391	1,645	1,632	1,718	1,718
Tourism	7,510	9,268	10,965	11,192	10,942
R&D Economic affairs n.e.c.	633	460	460	467	467
Economic affairs n.e.c.	2,826	4,300	4,380	4,380	4,380
Environmental protection	4,579	5,307	4,339	4,749	4,354
Waste management	2,209	2,330	1,612	1,662	1,747
Protection of biodiversity and landscape	377	772	372	372	372
Environmental protection n.e.c.	1,993	2,205	2,355	2,715	2,235
Housing and community amenities	13,409	17,263	15,824	15,959	16,453
Community development	3,950	4,573	3,461	4,630	4,824
Water supply	3,737	5,334	4,634	3,550	3,850
Housing and community amenities n.e.c.	5,722	7,357	7,729	7,779	7,779
Health	22,729	23,509	22,900	23,276	23,359
Medical products, appliances, and equipment	1,755	2,243	1,668	1,468	1,468
Outpatient services	3,911	4,330	4,330	4,380	4,380
Hospital services	11,382	11,638	11,505	11,764	11,964
Public health services	3,108	3,064	3,164	3,164	3,164
Health n.e.c.	2,573	2,233	2,233	2,499	2,383
Recreation, culture, and religion	2,672	2,362	2,125	2,175	2,175
Recreational and sporting services	370	370	370	370	370
Cultural services	1,816	1,396	1,159	1,209	1,209
Broadcasting and publishing services	0	45	45	45	45
Religious and other community services	10	10	10	10	10
Recreation, culture, and religion n.e.c.	476	540	540	540	540
Education	20,913	21,223	21,162	23,060	23,060
Pre-primary and primary education	3,213	3,289	2,785	2,785	2,785
Tertiary education	980	1,186	1,075	1,075	1,075
Education not definable by level	1,100	1,040	1,040	1,160	1,160
Education n.e.c.	15,620	15,708	16,262	18,040	18,040
Social protection	26,346	27,873	28,071	27,605	27,885
Sickness and disability	1,110	1,620	1,742	1,850	1,949
Old age	14,159	14,535	14,504	14,689	14,871
Survivors	170	170	170	170	170
Family and children	6,104	6,330	6,352	6,352	6,352
Housing	109	109	109	109	109
Social exclusion n.e.c.	1,563	1,567	1,771	1,771	1,771
Social protection n.e.c.	3,131	3,542	3,422	2,663	2,663
Total CIG Expenditure	209,311	244,529	221,296	227,705	228,594

Function of Government	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Official Development Assistance (ODA) Expenditure*					
General public services	1,502	300	200	200	200
Economic affairs	5,982	60,554	10,680	280	280
Environmental protection	2,655	11,887	15,734	4,346	1,203
Housing and community amenities	3,690	12,000	5,000	5,000	5,000
Health	217	4,610	7,072	3,895	3,497
Recreation, culture, and religion	12	110	0	0	0
Social protection	240	580	250	250	0
Total ODA Expenditure	14,297	90,041	38,937	13,971	10,180
TOTAL PUBLIC EXPENDITURE	223,608	334,570	260,233	241,676	238,774

Figure 5-3 illustrates the proportion of spending for the 10 main functional levels in the 2024/25 HYEFU, combining both the Cook Islands Government and ODA.

Figure 5-3 Classification of Functions of Cook Island Government, 2024/25 HYEFU



In the 2023/24 fiscal year, total expenditure under Economic Affairs amounted to \$60.8 million, representing a decrease of \$5.7 million compared to the estimated expenditure of \$66.5 million reported in the 2024/25 Budget.

Looking ahead, Economic Affairs is projected to account for 43.5 percent (or \$84.9 million) of total public expenditure in 2024/25, reflecting an increase of \$21.8 million from the \$63.2 million reported in the 2024/25 Budget. This increase is primarily due to the carry-forward of expenditure items such as Airline Route Development (\$4.5 million), Economic Recovery Roadmap (\$2.1 million), and the Road Asset Management and Improvement Programme Project (\$2.1 million). Other expenditure areas within Economic Affairs include transportation (\$44.8 million, including Airline Route Development), general economic, commercial, and labour affairs (\$16.5 million), and tourism (\$9.3 million).

General public services represent the next largest area of public expenditure at 15.0 percent (or \$50.0 million), with the administration costs of the Cook Islands Government being the primary driver of expenditure in this category.

6. Crown Debt and Net Worth

Over two years have passed since the Government introduced its *Medium-Term Debt Strategy 2022–2026*, which establishes debt management targets aimed at maintaining prudent levels of debt and associated risks in alignment with the Medium-Term Fiscal Framework (MTFF). This chapter provides an assessment of the Government's performance against these targets, evaluating progress toward achieving the objectives outlined in the Debt Strategy.

6.1. Debt Headroom

As of June 2025, the total value of (gross) public debt is estimated to be \$253.8 million, which represents 36.6 per cent of gross domestic product (GDP), showing an increase of \$32.1 million from the previous year's balance. This increase is primarily due to the planned drawdown of a new loan from the Asian Development Bank (ADB) in December 2024 to assist in financing challenges, partially offset by principal repayments in debt servicing on existing loans.

Notably, the net debt rule was revised upward from 35 per cent to 65 per cent of GDP in the 2021 update to the MTFF¹⁵ and retained at this level in the 2024 update¹⁶. However, Table 6-1 demonstrates that the net debt to GDP ratio is expected to fall below the previous threshold of 35 per cent by the end of 2025/26, even with the additional loan, and this trend is projected to continue in the outer years. This assumption is based on the Government not taking on further debt beyond the new loan.

The forward projection assumes that Government does not take on any further additional debt financing obligations in the medium term. In turn, the assumption is that any budget deficit is financed by general cash reserves, indicating that the Government is operating within its means and not taking on additional debt to cover any short-term shortfalls. However, there may be circumstances where the Government chooses to take on debt financing for particular projects or priorities.

Table 6-1 Government Financing Requirements, 2025-2028 (\$'000)

Financing Requirements	2023/24	2024/25	2025/26	2026/27	2027/28
Net Operating Balance	12,200	(9,483)	11,438	16,870	25,425
Net Non-Operating Balance (excl debt)	(28,327)	(40,820)	(31,611)	(37,919)	(41,305)
Depreciation	13,473	15,259	15,259	15,181	15,181
Payments made from LRF	(926)	671	539	470	599
Financing Requirements (excl debt)	(3,579)	(34,374)	(4,376)	(5,396)	(100)
<i>add: General Cash Reserves (utilisation)</i>	<i>3,579</i>	<i>79,861</i>	<i>74,624</i>	<i>68,371</i>	<i>67,501</i>
<i>add: Debt Financing</i>	<i>0</i>	<i>49,743</i>	<i>0</i>	<i>0</i>	<i>0</i>
Financing Gap	0	(0)	0	(0)	(0)
Current debt level	221,717	253,799	234,880	214,382	191,778
Estimated Debt Inc Financing	221,717	253,799	234,880	214,382	191,778
GDP forecast	661,707	693,579	720,914	753,279	784,687
Gross Debt to GDP	34%	37%	33%	28%	24%
LRF Balance	5,374	5,571	5,895	6,280	6,451
Estimated net debt level	216,344	248,228	228,986	208,102	185,327
Net Debt to GDP	33%	36%	32%	28%	24%
Debt headroom	213,766	202,599	239,609	281,530	324,719

Throughout 2024, the Government has been negotiating with the ADB the provision of a policy-based loan under the Resilient Transformation Program, and this was concluded in December 2024. This

¹⁵ https://www.mfem.gov.ck/files/ugd/dbdf40_d301b194f6a543978a1ce2bcc41d93de.pdf

¹⁶ https://www.mfem.gov.ck/files/ugd/dbdf40_355e0a8ebdab49d39831c241e64d6d4b.pdf

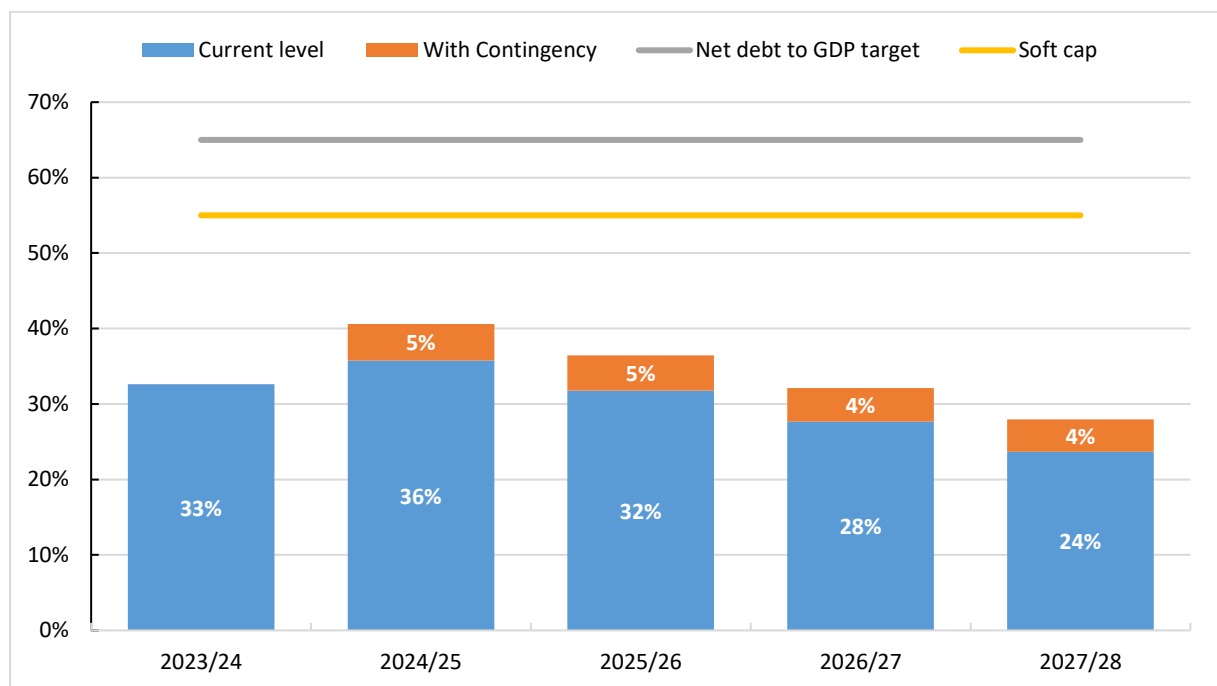
loan, of \$49.7 million, will allow Government to manage its debt and cash portfolios over the coming years, and is a key pillar of fiscal policy.

As per the current threshold, the Government has the capacity to take on an additional \$202.6 million of debt. The ability to take on additional debt is known as the “debt headroom”. However, if we consider the contingent debt, the available amount decreases to \$169.1 million. It's essential to note that any decision to take on additional debt should be made with prudence and careful consideration to ensure that the Government's fiscal stability is not compromised.

The total contingent debt of \$33.5 million is a Disaster Recovery loan that will only be drawn in the event of disasters triggered by natural hazards or health emergencies.

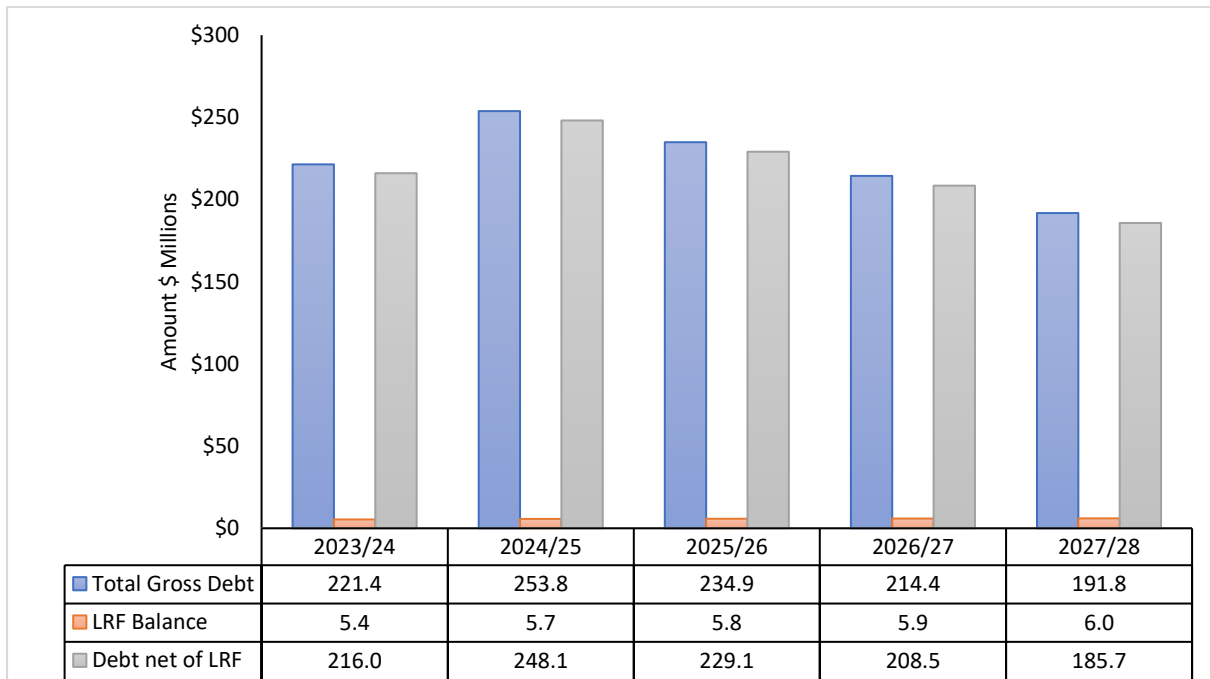
Under the MTDS, the Government plans to work with lenders to ensure a manageable repayment profile to balance the management of debt obligations, with allowing space for other important government spending initiatives.

Figure 6-1 Net debt to GDP including (percentage of nominal GDP)



As depicted in Figure 6-1, if the Government is obligated to take on the disaster recovery loan, it will still comply with the 65 per cent net debt to GDP rule.

Figure 6-2 Crown Debt, Net of Loan Repayment Fund¹⁷



The Government manages its debt portfolio through the Loan Reserve Fund (LRF), as mandated by the LRF Act 2014. The debt net of LRF is estimated to be \$248.1 million in 2024/25, and is expected to gradually decrease in the outer years.

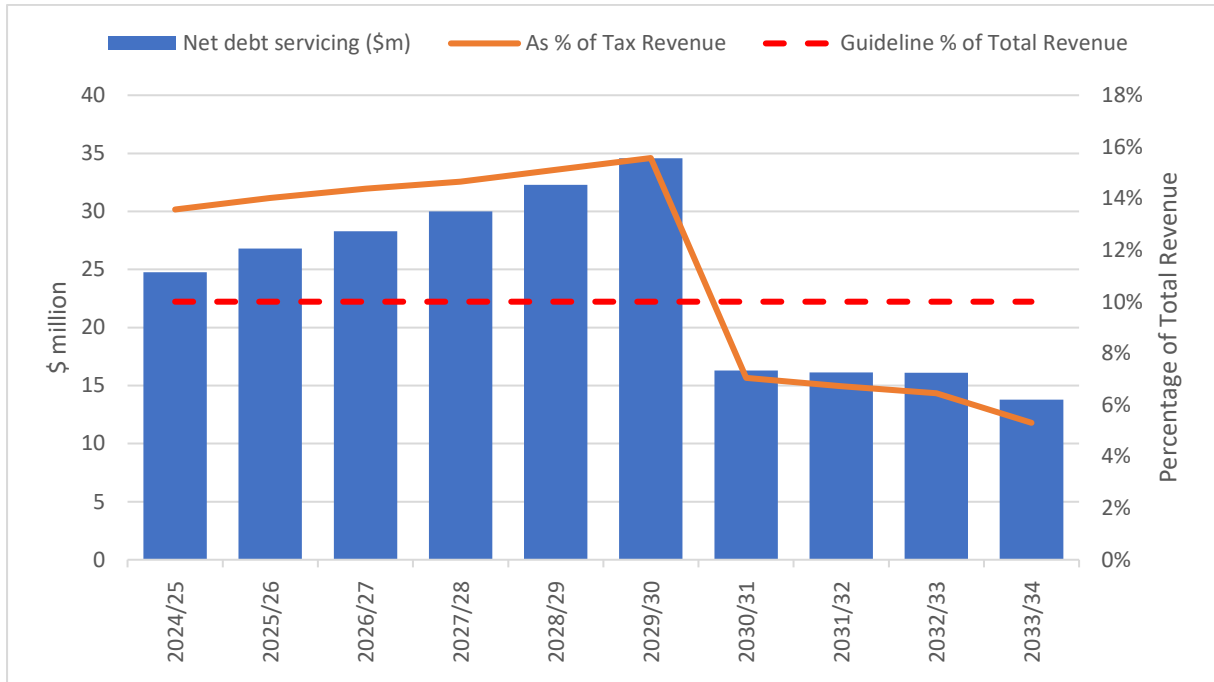
6.2. Cost of Debt

Although the net debt to GDP being under the fiscal limit of 65 per cent, there is cause for concern as the estimated debt servicing as a share of total revenue will exceed 10 per cent in 2024/25, and it is not expected to fall below this threshold until 2030/31. This could indicate a cash flow issue, especially if the Government fails to closely manage overall spending to accommodate the additional debt servicing requirements.

Moreover, the annual debt servicing is expected to peak at 16 per cent (equivalent to \$34.6 million) of total revenue by 2029/30, primarily because some loans with back-ended repayment profiles have higher demands.

¹⁷ Note these totals include a loan taken by the Airport Authority Cook Islands on commercial terms, with an outstanding balance of \$1.9 million as at 30 June 2025.

Figure 6-3 A 10-year Debt Servicing Profile



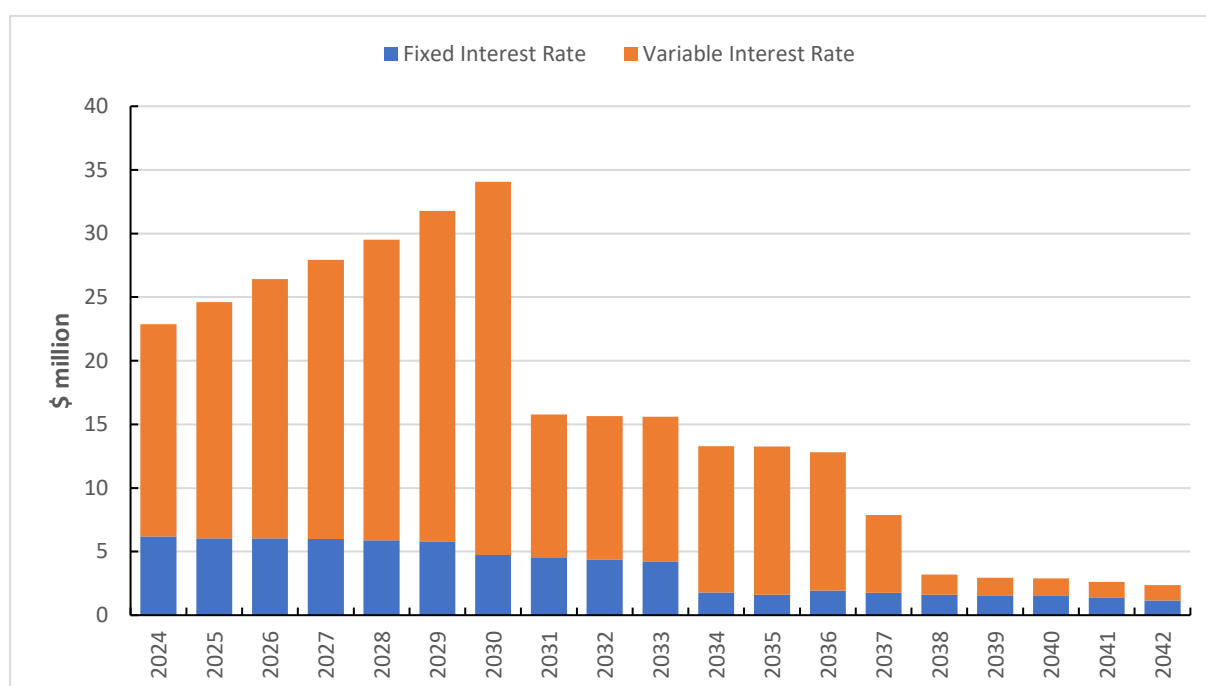
The main risks to the cost of debt are associated with the exposure to unfavourable movements in interest and exchange rates.

6.2.1. Interest rates

A significant share of Government's debt (62 per cent¹⁸) is based on variable interest rates, which are either tied to the 6-month Secured Overnight Financing Rate (SOFR) for USD-based loans or the 6-month NZD Bank Bill Rate for NZD-based loans.

¹⁸ Not including contingent debt, which is on fixed interest terms.

Figure 6-4 Debt Servicing Profile by Interest Rate Type



This is a major risk since the Government cannot control the movement of these rates. As central banks like the Reserve Bank of New Zealand (RBNZ) raised interest rates in recent years in an attempt to dampen inflation, this has pushed benchmark rates up, and resulted in higher debt servicing costs on the existing debt portfolio. More recent months have seen the RBNZ (and its equivalents) begin to lower rates, and the benchmark rates have similarly begun to fall. However recent global movements have slowed this reduction, as a result of some uncertainty in key markets. The reclassification to Group B, along with the new terms for ADB debt for Small Island Developing States, will allow the Cook Islands to have access to more concessional loans featuring fixed interest rates and longer repayment terms.

The interest rates used to forecast debt service repayments are based on the assumptions in Table 6-2.

Table 6-2 Variable Interest Rate Assumption¹⁹

	2024/25	2025/26	2026/27	2027/28	2028/29	Average FY25-FY29
SOFR USD 6-mth rate	4.418%	4.365%	4.491%	4.525%	4.664%	4.493%
NZD 6-month BBR	4.248%	4.694%	4.700%	4.857%	5.030%	4.706%

6.2.2. Exchange rates

To minimise the risk of adverse exchange rate movements against the NZD, the MTDS requires the Government to limit new borrowings to the local currency or restrict borrowing in foreign currency to a maximum of 10% of the overall Government debt. This is because holding debt in a foreign currency can lead to increased costs due to currency fluctuations.

¹⁹ Source: <http://www.worldgovernmentbonds.com/country/> - retrieved: 20 November 2024

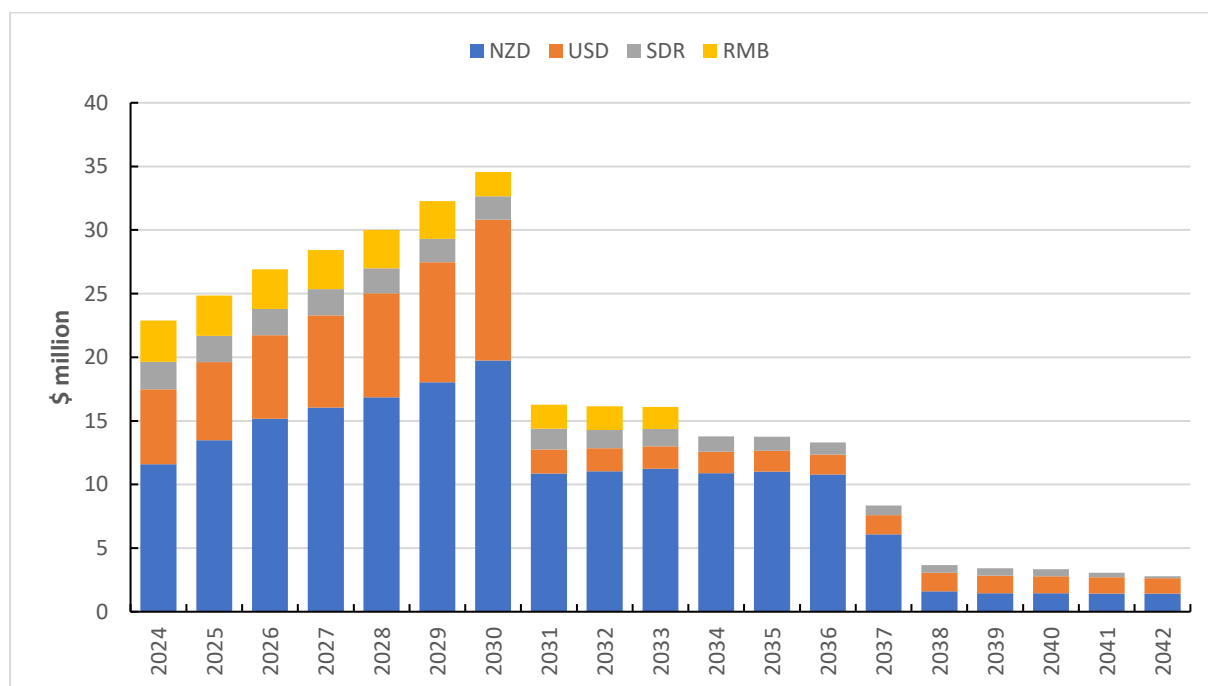
Table 6-3 Exchange Rate Forecast – 2023/24 to 2027/28

Currency	2023/24	2024/25	2025/26	2026/27	2027/28
NZD/EUR	0.5610	0.5618	0.5621	0.5594	0.5570
NZD/USD	0.6068	0.6180	0.6290	0.6360	0.6400
NZD/CNY	4.3843	4.3952	4.4125	4.4087	4.3923
NZD/SDR	0.4574	0.4756	0.4791	0.4798	0.4792

The forecasted exchange rates used in the 2024/25 Budget are sourced from Consensus Economics and reflect forecasts from October 2024. Key drivers of exchange rate fluctuations have been related to movements in interest rates around the world. As central banks have adjusted monetary policy in the face of reducing inflation and broader economic slowing, investors have been chasing yields and causing demand for currencies to move with those changes.

Currency risk arises when debt is held in foreign currency. Adverse movements in the exchange rate against the NZD lead to increase costs. To minimise foreign currency risk, the Government continues to prefer new borrowings in the local currency and restrict borrowings in currencies that are not favourable to the local currency.

Figure 6-5 Debt Servicing by Currency



Overall, the NZD is expected to slightly appreciate against the major currencies of interest to the Government debt portfolio, particularly early in the forecast period, though movements in rates after the Consensus Economics forecasts were finalised have been counter to this.

6.3. Gross Debt

Table 6-4 Government Loans to June 2025

Loans committed and drawn	Date loan taken	Original loan amount (000's)	Expected date of Repayment	Current Balance (\$NZD 000's)
ADB 849 (SF) 2nd Multi-Project	Dec, 1987	SDR 2,150	Aug, 2027	421
ADB 1031 (SF) Outer Islands Telecom Project	Oct, 1990	SDR 3,578	Aug, 2030	1,768
ADB 1155 (SF) 2nd CIDB Project	Mar, 1992	SDR 1,085	Dec, 2031	495
ADB 1171 (SF) Emerg. Telecom Rehab Project	Aug, 1992	SDR 349	Jun, 2032	176
ADB 1309 (SF) Pearl Industry Dev. Project	Dec, 1994	SDR 272	Aug, 2034	236
ADB 1317 (SF) Educ'n Dev Project	Feb, 1995	SDR 1,852	Aug, 2034	1,439
ADB 1380 (SF) 3rd CIDB Project	Jan, 1996	SDR 1,977	Sep, 2035	1,284
ADB 1466 (SF) Economic Restructure Program	Sep, 1996	SDR 3,430	Sep, 2036	3,035
ADB 1588 (SF) Cyclone Emergency Rehab Project	Jan, 1997	SDR 583	Jan, 2038	554
ADB 1832 (SF) Waste Mgt Project	Dec, 2001	SDR 1,695	Jun, 2033	1,109
ADB 2174 (SF) Cyclone Emergency Assist Project	Jun, 2005	SDR 1,895	Jun, 2045	2,984
China - Multi-Functional Indoor Sports Stadium	Aug, 2008	RMB 74,100	Aug, 2028	3,949
ADB 2472 (OCR) Avatiu Port Development Project*	Sep, 2009	NZD 10,309	Nov, 2033	6,609
ADB 2473 (SF) Avatiu Ports Development project	Sep, 2009	SDR 4,524	Nov, 2040	6,136
ADB 2565 OCR Economic Recovery Support Program 1*	Jan, 2010	NZD 11,053	Oct, 2024	0
ADB 2739 (OCR) Amendment Avatiu Port project*	Dec, 2011	NZD 5,290	Nov, 2035	3,977
China - Rarotonga Water Ring Main Upgrade	Dec, 2012	RMB 118,000	Dec, 2032	14,252
ADB 2946 OCR Economic Recovery Support Program 2	Dec, 2012	NZD 11,053	Oct, 2027	1,510
ADB 3193 Renewable Energy Project	Dec, 2014	NZD 12,980	Jun, 2036	7,984
ADB 001-COO(FA-CDF) - Disaster Resilience Program	Dec, 2019	NZD 15,676	Jun, 2035	13,717
ADB 3632 - Loan for Undersea Broadband Cable	Nov, 2018	USD 15,000	Oct, 2031	21,238
Commercial - Loan for Rarotonga Airport Equipment	Jan, 2018	NZD 3,206	2033	1,861
ADB 4010 - CPRO Loan	Nov, 2020	NZD 30,409	Jun, 2030	26,660
AiIB - CPRO Loan	Dec, 2020	USD 20,000	Jun, 2030	28,369
ADB 4161 - Sustainable Economic Recovery Program	Dec, 2021	NZD 55,540	Dec, 2036	54,292
ADB 4563 – Resilient Transformation Program SP1	Dec, 2024	NZD 49,743	Dec, 2064	49,743
Total Loans Drawn Down				253,799
Contingency Loans	<i>Estimated</i>			
ADB - Disaster Resilience Program (Phase 5)	<i>Dec, 2024</i>	NZD 33,546	Dec, 2064	33,546
Total Committed/Planned but Undrawn				33,546

6.3.1. Gross Debt by Lenders

Table 6-5 Overall Debt by Lenders – June 2025

	(\$ million)	% Share
ADB	205.4	81%
AiIB	28.4	11%
EXIM Bank China	18.2	7%
Other Commercial Banks	1.9	1%
Total	253.8	100%

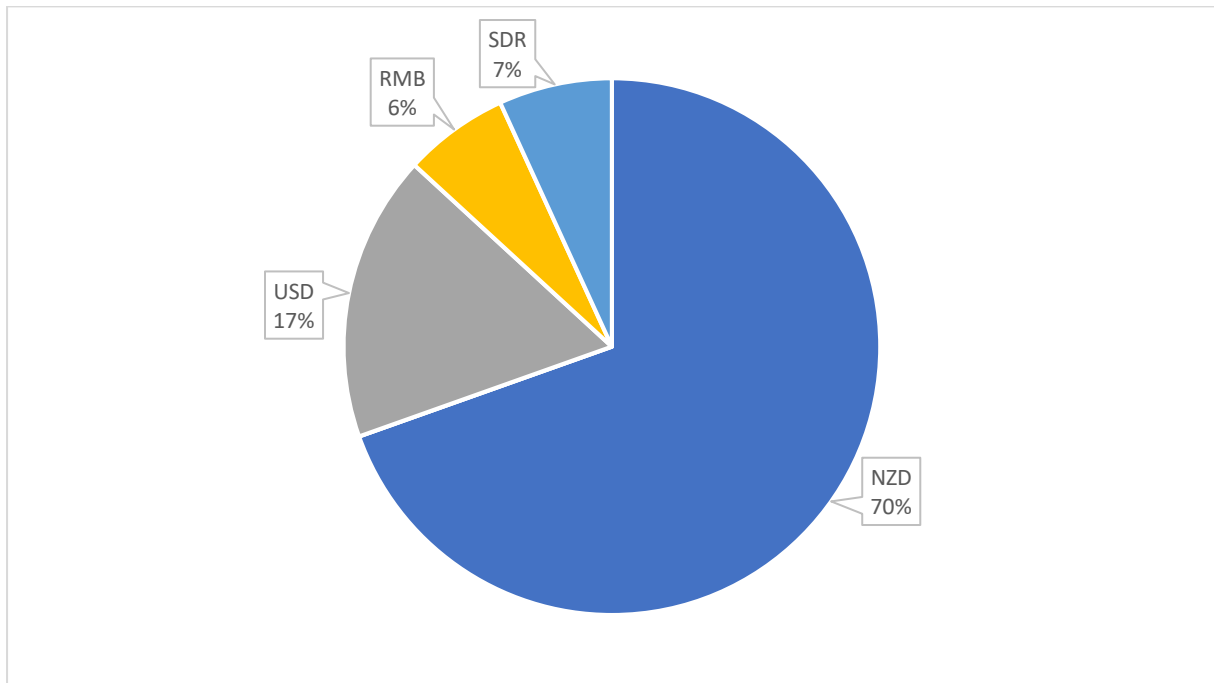
The ADB have provided the largest proportion of lending to the Cook Islands making up 81 per cent of the debt portfolio in 2024/25.

6.3.2. Gross Debt by Currency

According to the MTDS 2022-2026, the Government's target is to limit total foreign currency debt to within 30 per cent of the total debt portfolio. As shown in Figure 6-6, the forecast to the end of 2024/25 (including contingent debt) indicates that around this goal is likely to be achieved for the first

time. To manage foreign currency risks, the Government will continue to negotiate additional loans in NZD with due consideration to the trade-off between the terms of NZD based loans compared to USD based loans that may come with fixed or lower interest rates.

Figure 6-6 Gross Debt by Currency, June 2025



Government’s USD-based loans are currently being paid utilising USD receipts – mainly from fishing licenses, which provides a natural hedge. The 2024/25 Budget forecasts this natural hedge to provide sufficient USD to meet obligations across Government over the forward years. However, this will be regularly revisited.

6.3.3. Gross Debt by Lender Type

Figure 6-7 Gross Debt by Lender Type



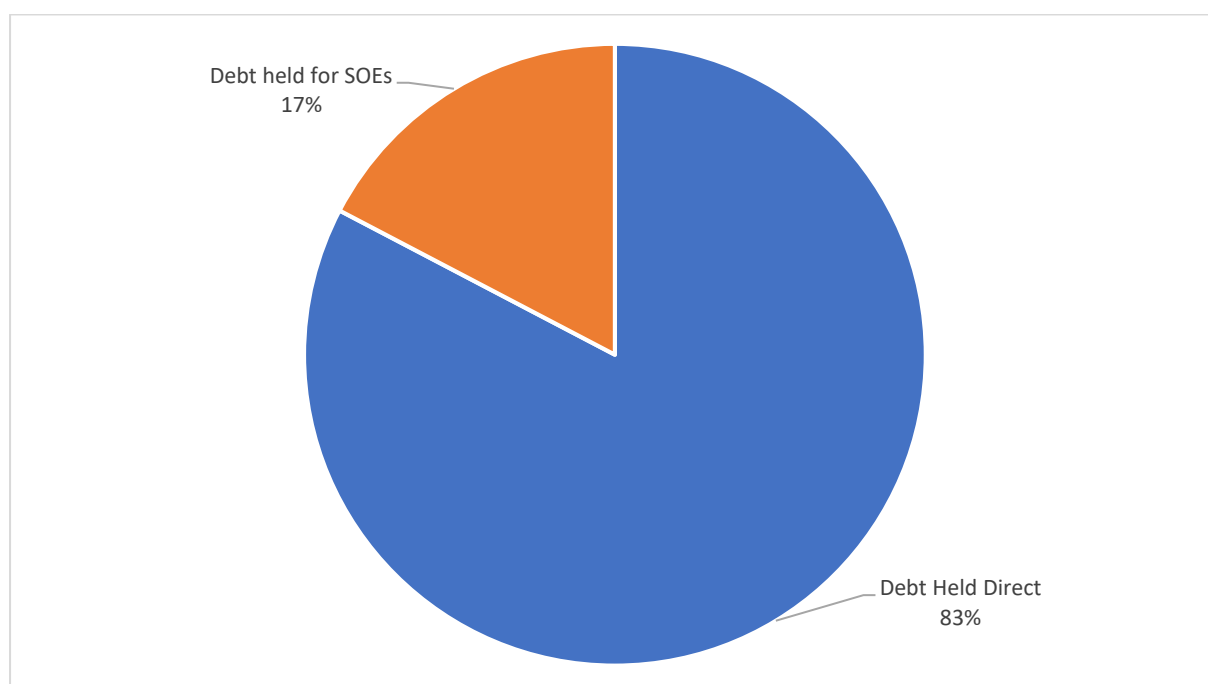
Multilateral loans (ADB and the Asian Infrastructure Investment Bank (AIIB)) make up 92 per cent of Government’s debt portfolio, bilateral loans are with the EXIM Bank of China.

6.4. State-Owned Enterprise Debt

Since the enactment of the LRF Act in 2014, all new debt (including debt held on behalf of SOEs) must go through a full debt sustainability analysis and be approved by Cabinet, on the advice of the Financial Secretary.

There is no plan to take on additional borrowing on behalf of the SOEs for 2024/25, although business cases for major projects are still being explored.

Figure 6-8 Overall Debt by SOEs and Direct – June 2025



Airport Authority

The Airport Authority is currently paying off its direct loan from a local commercial bank (2025: \$1.9 million).

The loan is secured by registered mortgage debenture over the assets and undertakings of the Authority.

Ports Authority

The Ports Authority has recently re-started debt repayments to government on the debt held, after a repayment holiday during the pandemic. As of July 2023, principal and interest repayments to government have resumed.

The debt repayments to ADB continued through the repayment holiday period, these payments were met by the Crown.

Avaroa Cable Limited

Avaroa Cable Limited (ACL) are currently paying off a loan taken from the ADB for the construction of the Manatua Cable (2025: \$20.8 million). This loan is included in the analysis in this chapter.

6.5. Medium-term Debt Strategy

Table 6-6 Cost and Risk Indicators of Existing Debt Portfolio – June 2025

Risk Indicators		FX debt	DX debt	Total debt
Amount (in millions of NZD)		87.4	166.4	253.8
Amount (in millions of USD)		54.0	102.8	156.8
Nominal debt as % of GDP		12.6	24.0	36.6
Cost of debt	Interest payment as % of GDP	0.5	1.0	1.4
	Weighted Av. IR (%)	4.9	3.8	4.2
Refinancing risk	ATM (years)	5.6	7.5	6.8
	Debt maturing in 1yr (% of total)	8.6	5.3	6.6
	Debt maturing in 1yr (% of GDP)	1.1	1.1	2.3
Interest rate risk	ATR (years)	2.3	3.0	2.7
	Debt refixing in 1yr (% of total)	64.1	80.9	74.5
	Fixed rate debt (% of total)	40.6	19.7	27.7
FX risk	FX debt (% of total debt) ²⁰			34.5

Government's performance against key MTDS targets to the end of June 2025 are:

- Maintain Crown debt as a share of GDP below 65 per cent – estimated at 36.6 per cent by the end of June 2025.
- New borrowing should be limited to priorities reflected in the National Infrastructure Investment Plan 2021-2030 identified through the National Budgets – Done through the national budget process.
- To minimise impact of costs and risks to Government through monitoring the following indicators:

Table 6-7: MTDS Key Targets, 2022 – 2026

	Indicators	Current level (2025)	Target – all debt	Target – new debt	Performance
Interest rate risk	1. Implied interest rate	4.0%	<4.5%	<4.5%	1.2%
	2. % of total debt in variable interest rates	62.6%	<70%	<65%	15.6%
Refinancing risk	3. Limit total public debt maturing in 1 year	6.6%	<6%	<5%	0.5%
	4. Total Average Time to Maturity	6.8 years	>7 years	>15years	0.9 years
Exchange rate risk	5. foreign debt as a % of total debt	34.0%	<30%	<10%	8.3%

- Complete the application process for country reclassification review with the ADB by 2022/23 – Completed.
- Complete a white paper on the feasibility of setting up the domestic debt market in the Cook Islands by 2022/23 or issuing government securities in New Zealand to utilise the larger market for NZD securities – *Deferred for further review.*
- The Debt Management Unit should be appropriately staffed, adequately trained, and resourced to conduct the debt management functions articulated in staff job descriptions – *Deferred for further review.*

²⁰ This excludes NZ\$33.5 million in contingent debt

7. Official Development Assistance

Table 7-1: ODA Expenditure

Cook Islands ODA December 2024 Update	(\$'000)
FY2024/25 Half-Year Economic and Fiscal Update (HYEFU)	90,040
FY2024/25 ODA Budget (excluding CSS)	90,040
FY2024/25 HYEFU estimated spend to date	9,728
Conversion rate December 2025	10.8%

Total Official Development Assistance (ODA) for 2024/25 stands at \$90.0 million, excluding \$10.0 million for Core Sector Support, which has the agreement under negotiation. Estimated spending by December 2024 is \$9.7 million, representing 10.8 per cent of the total ODA budget for 2024/25.

The Cook Islands Infrastructure Trust Fund (ITF) (\$34.0 million in 2024/25 and \$10.4 million in 2025/26) and the Kerekere Moana Climate Finance fund (\$14.0 million in 2024/25 and \$10.0 million in 2025/26), have \$48.0 million appropriated this fiscal year, enabling approved projects to move forward with implementation.

7.1. New Zealand Programmes

7.1.1.1. Cook Islands Core Sector Support

The Core Sector Support (CSS) Grant Funding Arrangement with New Zealand provided \$9.1 million to the Cook Islands in 2023/24, with a new \$20.0 million, over two-year budget support phase announced in June 2024. Currently, the budget allocation for 2024/25 is reported as zero as the agreements have not yet been finalised. This support aids the Ministry of Education, Cook Islands Tourism Corporation, and the Ministry of Health in advancing the Cook Islands' National Sustainable Development Agenda 2020+.

Additionally, a Public Sector Strengthening (PSS) arrangement will deliver \$10.5 million over three years to enhance public sector capabilities, fund priority projects and address emerging needs.

7.1.1.2. Cook Islands Core Sector Support – Output 4

Through the Core Sector Support Arrangement, New Zealand is providing \$5.1 million to strengthen the Cook Islands public sector by funding specialist technical assistance. Proposals must align with the Cook Islands' Public Sector Strategy, broader Public Sector reforms, and the Cook Islands' Economic Development Strategy. Estimated spend for this support by December 2024, is \$186,760.

7.1.1.3. Cook Islands-New Zealand Infrastructure Trust Fund

In December 2019, the New Zealand Government provided \$12.0 million to establish the Cook Islands ITF, followed by an additional \$40.0 million in March 2022 to support the Cook Islands economy and resilience through capital projects. The ITF focuses on essential infrastructure, implementing the National Infrastructure Investment Plan (NIIP), and building local capabilities.

Key projects funded by the ITF include:

- **Avarua Town Plan:** \$7.6 million, with work underway since March 2023 and projected spending of \$1.0 million by December 2024.
- **Manihiki Airport Improvement Project:** Total funding of \$19.8 million, including an additional \$13.8 million in 2024 for construction. Equipment mobilisation to Manihiki is expected in 2025. An estimated spend of \$2.7 million is expected by December 2024.
- **Pa Enua Infrastructure Assessment Concept Note:** \$398,880, beginning in April 2024, with spending of \$11,258 projected by December 2024.

- **Rarotonga International Airport Runway Slab Replacement Project (Phase 2):** \$4.5 million, with preparatory work ongoing.

Conditional approvals were also granted for the Rarotonga International Airport Runway End Safety Area (RESA) Extension (\$9.2 million) and Aitutaki Runway Strip Land Reclamation Project (\$1.4 million), with preliminary work underway by the Airport Authority Cook Islands.

7.1.1.4. Kerekere Moana – Climate Flexible Facility

The New Zealand Government has committed up to \$24.0 million for climate-focused projects in the Cook Islands with a focus on climate mitigation, adaptation, and capacity building. Administered by the ITF under the Kerekere Moana Partnership, this funding prioritises renewable energy infrastructure.

The Cook Islands received an initial \$14.0 million, supporting the “Northern Group Battery Replacement” project. The ITF approved \$255,000 for the project’s design phase, including \$80,000 for the engineering design and \$175,000 for the finalised business design. With the design phase complete, the project is set to begin implementation in 2025. In March 2024, an additional \$12.9 million was approved to cover project costs, with an estimated spend of \$5,000 by December 2024.

7.1.1.5. Improving Geospatial Data - LiDAR

Implementing Agencies: ICI

Total estimated spend to December 2024: \$20,000

In December 2023, the project was divided into two phases:

- **Phase 1 (\$1.5 million):** This phase addresses data gaps by collecting high-resolution topographic data and imagery. The data will aid in assessing coastal and flooding hazards, environmental management, infrastructure planning, policy development, and climate change responses. Data capture is complete, and nine islands’ coverage maps have been delivered and are undergoing quality assessment. Maps for the remaining five islands are expected soon, pending tide-gauge data finalisation.
- **Phase 2 (\$1.1 million):** Building on Phase 1 data, this phase aims to use LiDAR technology to enhance environmental management, climate-resilient planning disaster risk reduction, and infrastructure design. It also focuses on improving access to LiDAR data and establishing sustainable management systems for LiDAR and other spatial data.

The review of procurement documents for the contract roles is nearly complete, with advertising set to follow. Discussions are ongoing to extend the grant timeline to better align with project implementation needs.

7.1.1.6. Pacific Maritime Safety Programme

Implementing Agencies: Ministry of Transport

Total estimated spend to December 2024: \$377

With a total grant contribution to date of \$565,000, the activity began in March 2022 and will continue to October 2026. It aims to establish safe, reliable, environmentally-friendly, and affordable maritime transport services connecting people and markets in the Pacific, while meeting international standards. Implementation of outputs has been paused due to competing priorities, with plans to resume in 2025.

This will be achieved through the following outputs as part of the arrangement:

Output #	Description	Status
1	Maritime safety education delivered in communities	Not started
2	Regulatory framework strengthening	In progress
3	Marine sector education and training	In progress
4	Vessel and navigation safety improvements	In progress
5	Search and rescues and oil spill preparedness	Not started

7.1.1.7. Cook Islands Climate Change: Improving Access to Finance

Implementing Agency: Climate Change Cook Islands - OPM

Total estimated spend to December 2024: \$150,320

The total grant contribution to date is \$495,000. Activity implementation began in September 2022 and will continue to 31 January 2025. The goal of the activity is to enhance the Cook Islands' capacity to adapt to the impacts of climate change by building resilience across key sectors, increasing access to climate finance, and supporting implementation.

A key objective is to strengthen the capacity of Climate Change Cook Islands (CCCI) to access and effectively use climate finance resources by supporting the following outputs:

Output #	Description	Status
1	Institutional strengthening of the CCCI Office's capacity and capability through established and new programmes; increase stakeholder awareness of climate change through community outreach activities and use of technologies to provide baseline information and ongoing data for climate science.	In progress
2	Climate change response bill support to assist CCCI with the final preparations of guidelines and to lead consultations on the draft Cook Islands Climate Change Response Bill.	In progress
3	Project preparation assistance to develop the Cook Islands GCF concept note 'Direct financing for communities and businesses to respond to climate change in the Cook Islands' into a full proposal for submission to the GCF and hold a workshop to increase staff and communities' capability to write proposals.	In progress

7.1.1.8. Cook Islands Domestic ICT Connectivity Improvements

Implementing Agency: OPM

Total estimated spend to December 2024: \$38,906

This activity focuses on enhancing telecommunications connectivity in remote Cook Islands communities to support the government's "One Government Service" initiative. It includes broadband, bandwidth, and mobile network upgrades using 3G/4G infrastructure, reducing the digital divide between main population centres and the Pa Enea.

The scope of work for Aitutaki was completed in January 2024, initiating a Monthly Recurring Costs (MRC) of \$5,558 per month for 100Mbps service, as outlined in the Pa Enea Contract. With Starlink's entry into the Cook Islands in September, work has paused to assess potential network design changes.

7.2. European Union Programmes

7.2.1.1. European Development Fund – Budget Support to the Sanitation Sector

Implementing Agency: Ministry of Finance and Economic Management

Total estimated spend to December 2024: \$67,365

The EU's 11th funding cycle (EDF11) targets improvements in the Cook Islands' sanitation sector, focusing on upgrading sewage systems in commercial areas of Aitutaki and Rarotonga to meet the *Public Health (Sewage and Wastewater Treatment and Disposal) Regulations 2014*. Approved by the EU, this project received \$2.0 million in 2020/21, with \$525,934 spent by 2021/22. The remaining \$1.5 million has been dedicated to project work from 1 July 2022 onward, with \$678,914 remaining for the 2024/25 year as a whole. The Ministry of Finance of Economic Management, through its Major Projects and Procurement Support (MPPS) division, leads the implementation.

7.2.1.2. Sustainable Fisheries Partnership Agreement 2022-2024 - Multiyear (Fisheries) Policy Support

Implementing Agency: Ministry of Marine Resources

Total estimated spend to December 2024: \$592,517

This Sustainable Fisheries Partnership Agreement (SFPA) provides an annual EUR 350,000 from the European Commission to support the Cook Islands fisheries sector over a four-year protocol. This funding supplements the Ministry of Marine Resources' budget and business plan through the Multiannual Sectoral Programme. Effective from 17 December 2021, the agreement permits EU vessels to fish for tuna in the Cook Islands' exclusive economic zone (EEZ) within a regulated framework that prioritises resource conservation and environmental sustainability. The protocol ensures that all EU vessels operate with strict controls, transparency, and a commitment to human rights.

7.3. Japan Programmes

7.3.1.1. Japan For Poverty Reductions (JFPR) - Supporting Safe Recovery of Travel and Tourism in Cook Islands – (administered by Asian Development Bank)

Implementing Agencies: MFEM

Total estimated 3rd Party spend to December 2024: \$1.1 million

This project aims to enhance the Cook Islands' capacity to safely receive tourists, aiding economic recovery from the impacts of COVID-19. This initiative supports the government, business community, and public efforts to revive tourism and rebuild the economy. Funded by the Japan Fund for Poverty Reduction (JFPR), it marks the Asian Development Bank's (ADB) first assistance for safe travel and tourism recovery in a Pacific developing member country.

The outputs of this arrangement are:

Output #	Description	Status
1	Airport readiness through improvements to the Rarotonga Airport terminal to facilitate safe COVID-19 screening and physical distancing.	Not started
2	Health readiness through the improvement of a medium-sized health facility and the procurement.	Complete
3	Installation of a medical waste treatment system.	In progress

7.3.1.2. Procurement of a cargo and passenger vessel

Implementing Agencies: MFEM

Total estimated 3rd Party spend to December 2024: \$128,872

The Cook Islands Government is working to improve shipping connections between Rarotonga and the Pa Enea. On 8 June 2023, the Cook Islands Government and the Government of Japan agreed to strengthen this link through the Japan Economic and Social Development Programme FY2023. Japan has committed a grant of 520 million Japanese Yen (NZ\$5.8 million) to procure a cargo and passenger vessel that will operate between Rarotonga to the Pa Enea.

The Japan International Cooperation System (JICS) will oversee the procurement, working with the Cook Islands Government to ensure the vessel meets the need of the Pa Enea.

7.4. United Nations Programmes

7.4.1.1. First Biennial Transparency and Fourth National Communication Report (BTR1/NC4)

Implementing Partner: Climate Change Cook Islands-OPM

Total estimated spend to December 2024: \$93,206

This project supports the Cook Islands in meeting its reporting requirements under the UNFCCC and the Paris Agreement. It will produce the country's First Biennial Transparency and Fourth National Communication Report, providing updates on greenhouse gas inventories, climate change impacts, and adaptation efforts up to 2020.

The project also aims to build technical and institutional capacity for future reporting and to strengthen the country's ongoing commitment to climate action. Additionally, it will raise awareness of climate change and help integrate climate considerations into national policies, strategies, and programmes.

7.4.1.2. Intangible Cultural Heritage

Implementing Partner: Ministry of Cultural Development (MoCD)

Total estimated spend to December 2024: \$23,962

This project aims to preserve the Cook Islands' performing arts heritage by recording and storing traditional knowledge from community elders. There are five key objectives: (1) engaging community members in documenting their cultural heritage; (2) strengthening the Are Korero (house of knowledge) as a cultural repository; (3) working with performing arts practitioners to publish resources; (4) partnering with schools to accredit practitioners and develop a teaching syllabus; and (5) creating guidelines to protect traditional arts from over-commercialisation.

The MOCD oversees this project to ensure respectful research, recording, and storage practices. The project is scheduled for completion by December 2024.

7.4.1.3. Institutional Strengthening Project (ISP)

Implementing Partner: National Environment Service

Total estimated spend to December 2024: \$88,439

This funding supports the National Ozone Unit (NOU) in ensuring the Cook Islands meet its obligations under the Montreal Protocol. The NOU will build capacity, strengthen communications with schools, importers, distributors, technicians, enforcement officers, and Climate Change Cook Islands. It will also include providing regular reporting to the Ozone and Multilateral Fund Secretariats.

7.4.1.4. Global Biodiversity Framework Early Action Support Project

Implementing Partner: National Environment Service

Total estimated spend to December 2024: \$150,637

The Kunming-Montreal Global Biodiversity Framework (GBF), adopted in December 2022, sets four goals and 23 targets to halt biodiversity loss by 2030 and restore nature by 2050, replacing the Aichi Targets. To support this, the countries are updating their National Biodiversity Strategy and Action Plans (NBSAPs) to align with the new framework.

With support from the United Nations Environment Programme (UNEP) and the Global Environment Facility (GEF), the Cook Islands is working to update its 20-year-old NBSAP. This project includes reviewing the current NBSAP, assessing monitoring systems, and aligning policies to fit the new GBF. It will involve broad stakeholder consultations to ensure that the updated NBSAP reflects a whole-of-government and whole-of-society approach and includes a monitoring plan to guide effective implementation after completion.

7.4.1.5. UNICEF INTAFF Support Cook Islands Development of Disability Action

Implementing Partner: Ministry of Internal Affairs

Total estimated spend to December 2024: \$22,851

This project supports the creation of a Disability Action Plan with clear, actionable goals to implement the Cook Islands Disability Inclusive Development Policy (CINDID). It will ensure people with disabilities have access to information and services, and mobilise key disability stakeholders. The plan also enhances independent human rights monitoring by the Office of the Ombudsman and supports oversight of services for people with disabilities in public and private facilities.

Additionally, the project strengthens coordination among the National Disability Coordinator, the CINDIDC, and the CINDC (supported by the Disability Alliance), ensuring effective collaboration with stakeholders in Rarotonga and the Pa Enea. Organisations of Persons with Disabilities (OPDs) will actively participate in developing and implementing the Action Plan and awareness campaign.

7.4.1.6. UNICEF INTAFF MIS Piloting & Implementation Phase

Implementing Partner: Ministry of Internal Affairs

Total estimated spend to December 2024: \$33,999

The Cook Islands Government, in partnership with UNICEF and the Better Worlds System is developing a social welfare Management Information System (MIS) to improve service delivery. A Software Engineer/IT Technician will be recruited to enhance the system's stability and ensure it meets user needs, particularly within the Ministry of Internal Affairs.

7.5. Green Climate Fund Programmes

The Cook Islands has direct access to approximately US\$50.0 million (NZ\$71.5 million) per project from the Green Climate Fund (GCF) to support climate change adaptation and mitigation. This enables the Cook Islands to enhance its climate resilience efforts.

The Ministry of Finance and Economic Management (MFEM), alongside Climate Change Cook Islands, is implementing readiness programs to build local capacity for managing GCF-funding projects and advancing national climate goals.

7.5.1.1. Increasing the Resilience of the Cook Islands through Enhancing a National Adaptation Programme - Readiness 6

Implementing Agencies: MFEM, OPM

Total estimated spend to December 2024: \$59,285

The Enhancing the National Adaptation Programme (ENAP) is the Cook Islands' sixth grant under the Readiness Support, launched in 2022 and set to finish by June 2025. Currently, about 85 per cent of project activities are complete.

ENAP focuses on building knowledge and capacity to address slow-onset climate impacts like sea-level rise and ocean acidification, as well as assessing risks privately-owned infrastructure and business sectors.

Key outcomes include:

- Developing evidence to design high-impact adaptation solutions.
 - The Cook Islands is using advanced data and traditional knowledge to strengthen climate adaptation:
 - LiDAR surveys: LiDAR surveys, a major part of ENAP, have collected vital data now being processed by Infrastructure Cook Islands. Pacific Standard Time (PST) was chosen to analyse this data and create climate adaptation resources for 14 islands.
 - Ocean monitoring: Climate Change Cook Islands, with NIWA, completed the Ocean Monitoring Programme to inform resilience-building efforts across Pacific Islands.
 - Traditional Knowledge: A study on traditional knowledge and ecosystem-based approaches, led by PVA consultancy, resulted in insights that will be shared through short, educational videos.
 - Vulnerability and Adaption (V&A) Assessments: V&A reports are nearly complete for inhabited islands, with work on Rakahanga and Mangaia set for late 2024.
 - Climate Change Statistics: ENAP provided \$30,000 to the Cook Islands Statistics Office (CISO) to support household climate surveys and data publication, formalised through a partnership between CISO and DCD.
- Engaging the private sector in climate adaptation.
 - Work on private sector engagement in climate adaptation has led to a progress report from the Chamber of Commerce and a draft Private Sector Vulnerability Analysis, which will be finalised by Akairo Consultancy. Akairo will also be complete a report on incentives to encourage private sector participation in climate innovation for adaptation.
- Increasing adaptation finance.
- Strengthening governance and coordination for adaptation planning.
 - The Cook Islands is developing a Monitoring and Evaluation (M&E) framework to track climate change adaptation actions outlined in its Climate Change Country Programme (2018-2030), a plan created to guide low-emission, climate-resilient development. This framework, which could apply to future mitigation efforts, will enhance the programme's

effectiveness and may support other climate initiatives like ENAP. Price Waterhouse Cooper (PWC) has been contracted for this work, with implementation beginning in November 2024.

7.5.1.2. Readiness Support for the Implementation of the IRMF for The Ministry of Finance and Economic Management (Readiness 8)

Implementing Agencies: MFEM, OPM

Total estimated spend to December 2024: \$65,240

This Readiness project aims to enhance MFEM’s preparedness and capacity to develop GCF funding proposals aligned with the new GCF Integrated Results Management Framework (IRMF). This will strengthen MFEM’s ability to manage GCF projects effectively. MFEM is advancing three project proposals within the 2020-2024 MFEM Entity Work Programme, and this Readiness Support will focus on advancing two funding proposals in line with IRMF. Consultants are being procured to assess capacity needs and develop action plans to address identified gaps.

7.5.1.3. Facilitating the Cook Islands Ability to Strengthen Long-term Low-emission and Climate-resilient Development (Readiness 9)

Implementing Agencies: OPM / MFEM

Total estimated spend to December 2024: \$20,000

The GCF approved a US\$3.0 million latest Readiness Support grant over a three-year project in August 2023. This project will build on previous support and focus on capacity-building, climate finance, low-emission development, pipeline development, enhanced stakeholder engagement, international networking. It will also support the development of MFEM as the Direct Access Entity. The project will be mainly executed by CCCI, with involvement from the Bank of the Cook Islands and the Chamber of Commerce. A Project Cooperation Agreement was signed in May 2024, and after a delay in fund disbursement by UNOPS, the funds were finally released in October 2024. The Project Agreement was amended to reflect these delays.

7.5.1.4. Project Preparation Facility (PPF) – EDA

Implementing Agencies: MFEM

Total estimated spend to December 2024: \$74,989

This activity aims to develop a full funding proposal for the concept titled “Direct Financing for Communities and Businesses to Respond to Climate Change in the Cook Islands” under the Enhance Direct Access (EDA) Proposal. It will update the prefeasibility study by enhancing the climate rationale, assessing barriers, evaluating technical and financial options, and addressing feedback from the Project Review Technical Panel. The activity will also detail the methodology for estimating project beneficiaries in line with GCF policies. A national consultant has been hired to coordinate the proposal development, with contract negotiations for additional consultants now underway.

7.5.1.5. Simplified Approval Process (SAP): Akamatutu’anga To Tatou Ora’anga Meitaki (ATOM): Building a healthy and resilient Cook Islands Community – one block at a time

Implementing Agencies: MFEM, TMO, CIIC

Total estimated spend to December 2024: \$66,0967

The ATOM project, approved on 6 March 2024 at the 38th GCF board meeting in Rwanda, will receive US\$12.5 million over five years. The project will be executed by Te Marae Ora Cook Islands-Ministry of Health, and the CIIC with support from the Ministry of Education, the Cook Islands Red Cross Society, and Ministry of Agriculture. MFEM will oversee the project.

The ATOM project aims to strengthen the national health system and increase climate resilience in health services across 30 communities and 22 health facilities on 12 islands, including 11 Pa Enea and Rarotonga. The project’s inception workshop took place in June 2024. Expressions of Interest (EOIs) for key positions in the Project Management Unit (PMU) were advertised, and a tender process will be used to select the Project Manager, Finance Officer, and Gender and Monitoring Specialist. A Memorandum of Understanding (MoU) between DCD and TMO has been signed to support governance. CIIC has also begun the tender process to recruit a Solar Engineer for solar installations at the Rarotonga and Aitutaki hospitals.

7.5.1.6. Enhancing climate information and knowledge services for resilience in five island countries of the Pacific Ocean – (administered by the United Nations Environment Programme)

Implementing Agencies: MFEM, MOT, OPM

Total estimated spend to December 2024: \$1.1 million

The United Nations Environmental Programme (UNEP) administers and implements the programme, with the Cook Islands set to receive up to US\$5.3 million in direct support and up to US\$6.0 million through regional partners. Legal arrangements between MFEM and UNEP are completed, and implementation began in April 2022, pending regional arrangements.

The Cook Islands is highly vulnerable to climate change impacts, with geography, population exposure, and limited resilience exacerbated by financial and human resource constraints. The economy’s reliance on climate-sensitive sectors like farming, fisheries and tourism adds to this vulnerability.

The project aims to provide reliable climate and weather information, early warning systems, and science-based advice for adaption planning.

It will support beneficiaries across five Pacific countries with three key outcomes:

- Increased use of climate information in decision making.
- strengthened adaptive capacity and reduced exposure to climate risks.
- improved awareness of climate threats and risk reduction processes.

The Cook Islands component is in progress, with oversight committees established, and the PMU collaborating with regional partners to advance activities.

7.5.1.7. Green Climate Fund – Renewable Energy Grant (Southern Group) - (administered by Asian Development Bank)

Implementing Agencies: OPM

Total estimated 3rd Party spend to December 2024: \$871,448

The Cook Islands Renewable Energy Sector Project– Phase 2 awarded the contract for the Rarotonga Battery Energy Storage System (BESS) “Airport South” Lot 2 to PowerSmart/ Vector Ltd on 30 September 2018 for US\$5,094,130. The BESS was commissioned and went online by 23 February 2020, providing network frequency and voltage support.

The contract for Lot 1, which includes in the installation of a 6MW/3MWh modular grid stability BESS at the Rarotonga power station, was awarded to PowerSmart/Vector on 24 March 2020, with the contract signed on 29 May 2020. The BESS was commissioned in December 2022.

Grant funding has been extended until December 2024 for operation and maintenance (O&M) training. An O&M variation to the Project Owner’s Engineers Contract has been signed with Entura to:

- Manage travel for Te Aponga Uira support staff to the Pa Enea
- Provide a technical specialist to lead the O&M program and coordinate with TAU and REDD, focusing on monitoring and capacity building in the Pa Enea.
- Support in-country and on-site training programs.

7.6. Global Environment Facility (GEF)

7.6.1.1. GEF 7 National Project

Implementing Agencies: NES

Total estimated spend to December 2024: \$127,598

The project aims to reduce the environmental impacts of the key development sectors like agriculture, infrastructure, tourism, which drive biodiversity and habitat degradation. It will integrate sustainable land and coastal water management across the National Environment Service (NES), Infrastructure Cook Islands (ICI), Cook Islands Tourism Corporation (CIT), and the Ministry of Agriculture (MOA).

Building on the success of the GEF-5 ridge-to-reef project, the GEF-7 project will also focus on improving the management of protected areas and expanding the protected area system, including establishing a 118-ha community-conserved area in Rarotonga’s cloud forests to safeguard globally significant biodiversity.

The project is expected to deliver significant environmental benefits, including improved management of 3,130 ha of priority catchments, 1,260 ha of terrestrial protected areas, and 14,453 ha of marine protected areas. About 9,588 people (75 per cent of population), including 51 per cent women, will directly benefit, along with communities relying on ecosystem services and those involved in protected areas management.

The project also aims to mitigate 288,638 tons of carbon dioxide-equivalent greenhouse gas emissions through enhanced carbon sequestration and reduced emissions in the agriculture, forestry, and other land use sectors.

7.6.1.2. Circular Solutions to Plastic Pollution Integrated Program

Implementing Agencies: NES

Total estimated spend to December 2024: \$52,000

The Circular Solutions to Plastic Pollution Integrated Program (IP) aims to drive a shift towards a circular economy for plastics by taking coordinated actions across the plastics life-cycle to end plastics pollution. Focusing on the food and beverage sector, the programme targets single-use plastics and packaging. It will prioritise measures to reduce plastic packaging and promote reuse systems, in line with the waste hierarchy.

The National Environment Service will develop the Child Project PPG to transform the existing concept note into a fully developed project for execution in 2025. Originally planned for June 2024, this activity has been postponed due to competing priorities.

The concept note aims to implement upstream and midstream measures to reduce plastic packaging and encourage reuse, building on key policy initiatives and industrial innovations to promote the minimisation, reuse and recycling of plastic packaging in the Cook Islands.

8. Schedules

8.1. Statement of Fiscal Responsibility (Operating)

	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Operating Revenue						
Taxation Revenue	167,411	180,879	182,387	191,178	196,868	204,759
Other Crown Revenue	16,653	19,624	17,308	18,135	19,199	19,193
Trading Revenue	6,720	5,082	5,389	5,232	5,232	5,232
Interest on Loans to Subsidiaries	1,813	1,304	1,304	1,179	1,065	948
Dividends	1,220	1,600	1,600	1,700	2,750	3,550
Interest on Balances	2,698	573	573	573	573	573
Interest on Balances – Loan Reserve Fund	0	72	72	73	75	76
Core Sector Support	9,100	0	0	0	0	0
Total Operating Revenue	205,615	209,133	208,633	218,071	225,762	234,331
Operating Expenditure						
Ministry Outputs	141,453	154,213	165,720	156,238	159,705	160,013
<i>Personnel</i>	65,959	73,092	73,760	74,447	76,489	77,048
<i>Operating</i>	21,868	18,734	20,027	19,796	20,707	21,127
<i>Administered Payments</i>	46,929	53,905	63,452	53,514	54,104	53,433
<i>Depreciation</i>	6,696	8,482	8,482	8,482	8,404	8,404
<i>POBOC</i>	32,614	32,989	33,192	32,473	32,104	32,638
Total Other Operating	19,348	18,857	19,204	17,921	17,083	16,255
Debt Interest Contribution to LRF	8,960	11,930	11,930	10,994	10,156	9,328
Crown Infrastructure Depreciation	4,603	4,603	4,603	4,603	4,603	4,603
Transfer to Emergency Response Trust Fund	50	50	50	50	50	50
Depreciation Contingency Fund	2,174	2,174	2,174	2,174	2,174	2,174
<i>Chinese Equipment</i>	0	0	0	0	0	0
<i>Rarotonga Water Network</i>	803	803	803	803	803	803
<i>Northern Pa Eua Renewable Energy System</i>	400	400	400	400	400	400
<i>Southern Pa Eua Renewable Energy System (excl. Aitutaki)</i>	971	971	971	971	971	971
<i>Other Assets</i>	0	0	0	0	0	0
Contingency Funds - Operating	0	100	447	100	100	100
Contingency Funds – Other Expenses	0	0	0	0	0	0
Loss on Foreign Exchange	3,561	0	0	0	0	0
Total Operating Expenses	193,415	206,059	218,116	206,632	208,891	208,906
Operating Surplus/(Shortfall)	12,200	3,074	(9,484)	11,439	16,870	25,425

8.2. Statement of Fiscal Responsibility (Non-Operating)

	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Reductions in Net Borrowings	12,055	14,368	(35,253)	16,897	19,056	21,567
Loan Receipts/Drawdown	0	0	(49,743)	0	0	0
Principal repayment	12,798	15,072	15,204	17,606	19,763	22,193
Subsidiary Loan Repayments - Principal	(743)	(704)	(714)	(709)	(708)	(626)
Capital Expenditures	15,896	19,074	26,413	14,664	18,813	19,687
Ministries and Outer Islands (Including CIIC Capital)	15,116	19,074	26,413	14,664	18,813	19,687
<i>Infrastructure Capital Investment in SOEs</i>	780	0	0	0	0	0
<i>Airport Authority</i>	780	0	0	0	0	0
<i>Te Aponga Uira</i>	0	0	0	0	0	0
Contingency Funds - Capital Expenditure	0	0	0	0	0	0
Foreign Aid - Capital	0	0	0	0	0	0
Receipts	5,800	49,303	49,303	10,400	0	0
Expenditure	(5,800)	(49,303)	(49,303)	(10,400)	0	0
Other Committed Considerations	3,594	3,594	3,594	3,594	3,594	3,594
Transfer to Reserve Trust Fund	0	0	0	0	0	0
Stabilisation Fund	3,544	3,544	3,544	3,544	3,544	3,544
Advanced Subsidiaries - Avaroa Cable Ltd	0	0	0	0	0	0
Infrastructure Trust Fund	0	0	0	0	0	0
Emergency Response Trust Fund	50	50	50	50	50	50
Total Non-Operating balance	(31,545)	(37,036)	(5,246)	(35,155)	(41,463)	(44,849)
To be Funded by						
Operating Surplus	12,200	3,074	(9,484)	11,439	16,870	25,425
Depreciation	13,473	15,259	15,259	15,259	15,181	15,181
<i>of which: R.E. Capital Replacement</i>	1,371	1,371	1,371	1,371	1,371	1,371
General Cash Reserves	(16,261)	(6,421)	(25,653)	(18,514)	(19,055)	(25,808)
<i>Pa Enua Accrued Savings</i>	0	0	0	0	0	0
<i>Stabilisation Fund</i>	0	0	0	0	0	0
Contribution to Loan Reserve Fund	22,083	25,074	25,074	26,922	28,416	30,000
Transfer IN and OUT of Infrastructure Trust Fund	0	0	0	0	0	0
Transfer to Emergency Response Trust Fund	50	50	50	50	50	50
Total Funding Items	31,545	37,036	5,246	35,155	41,463	44,849
Net Surplus/Shortfall	0	0	0	0	0	0

8.3. Fiscal Indicators Table

	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Proj.	2026/27 Proj.	2027/28 Proj.
Statement of Financial Performance						
Taxation Revenue (\$m)	167.4	180.9	182.4	191.2	196.9	204.8
Social Contributions (\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenue (\$m)	38.2	28.3	26.2	26.9	28.9	29.6
Total Operating Revenue (\$m)	205.6	209.1	208.6	218.1	225.8	234.3
Total Operating Revenue Percentage of GDP	31.1	32.5	30.1	30.2	30.0	29.9
Tax Revenue Percentage of GDP	25.3	28.1	26.3	26.5	26.1	26.1
Total Cyclical Revenue (\$m)	13.1	14.8	12.7	13.4	14.4	14.4
Total Cyclical Revenue Percentage of GDP	2.0	2.3	1.8	1.9	1.9	1.8
Total Structural Revenue (\$m)	192.5	194.3	195.9	204.6	211.3	219.9
Total Structural Revenue Percentage of GDP	29.1	30.2	28.3	28.4	28.1	28.0
Personnel (\$m)	72.4	79.7	80.5	81.2	83.0	83.6
Percentage of Total Revenue	35.2	38.1	38.6	37.2	36.8	35.7
Percentage of Structural Revenue	37.6	41.0	41.1	39.7	39.3	38.0
Total Operating Expenditure (\$m)	193.4	206.1	218.1	206.6	208.9	208.9
Percentage of GDP	29.2	32.0	31.4	28.7	27.7	26.6
Percentage of Operating Revenue	94.1	98.5	104.5	94.8	92.5	89.1
Baseline Operating Expenditure (for Fiscal Rule)	165.0	168.9	166.8	173.4	176.3	177.0
Cash Operating Expenditure*	179.6	190.9	202.8	191.3	194.2	193.6
Operating Balance (\$m)	12.2	3.1	(9.5)	11.4	16.9	25.4
Percentage of GDP	1.8	0.5	(1.4)	1.6	2.2	3.2
Capital Expenditure	15.9	19.1	26.4	14.7	18.8	19.7
Depreciation	13.5	15.3	15.3	15.3	15.2	15.2
Non-Operating Balance (\$m)	(31.5)	(37.0)	(5.2)	(35.2)	(41.5)	(44.8)
Fiscal Balance surplus/deficit (\$m) *	9.8	(0.7)	(20.6)	12.0	13.2	20.9
Percentage of GDP	1.5	(0.1)	(3.0)	1.7	1.8	2.7
Statement of Financial Position (\$m)						
Assets (\$m)	610.9	683.7	683.7	686.7	683.0	685.6
Liabilities (\$m)	406.5	438.6	438.6	419.6	399.2	376.5
Crown Balance (\$m)	204.4	245.1	245.1	267.1	283.9	309.0
Percentage of GDP	30.9	38.1	35.3	37.0	37.7	39.4
Working Capital (\$m)	61.8	76.3	76.3	71.1	64.8	64.0
Working Capital (months coverage)	4.1	4.8	4.5	4.5	4.0	4.0
Stabilisation Account	3.5	3.5	3.5	3.5	3.5	3.5
General Cash Reserves	65.4	79.9	79.9	74.6	68.4	67.5
Statement of Borrowings (\$m)						
Gross Debt end of FY (\$m)	221.7	253.8	253.8	234.9	214.4	191.8
Gross Debt, Percentage of GDP	33.5	39.4	36.6	32.6	28.5	24.4
Net Crown Debt, end of FY (\$m)	216.3	248.2	248.2	229.0	208.1	185.3
Net Debt, Percentage of GDP	32.7	38.6	35.8	31.8	27.6	23.6
Loan Repayment Reserves Held (\$m)	5.4	5.6	5.6	5.9	6.3	6.5
Net Debt Servicing (\$m)	22.9	25.1	24.9	26.9	28.4	30.0
Percentage of Total Revenue	11.1	12.0	11.9	12.3	12.6	12.8
Percentage of Structural Revenue	11.9	12.9	12.7	13.2	13.4	13.6
Development Partner Support (\$m)						
Grants (\$m)	14.3	90.0	90.0	38.9	14.0	10.2
Percentage of GDP	2.2	14.0	13.0	5.4	1.9	1.3
Memo item: Nominal GDP (\$m)	661.7	643.9	693.6	720.9	753.3	784.7

8.4. Schedule 1 – Agency Budget Appropriations

Agency	Personnel	Operating	Administered Payments	Depreciation	Gross Current Appropriation	Trading Revenue	Net Current Appropriation
Agriculture	1,095,572	314,509	0	75,000	1,485,081	190,535	1,294,546
Audit (PERCA)	1,213,141	112,451	0	23,250	1,348,842	156,300	1,192,542
Business Trade and Investment Board	403,886	242,267	0	12,789	658,942	27,400	631,542
Cook Islands Investment Corporation	1,286,000	1,024,000	2,120,000	51,000	4,481,000	753,831	3,727,169
Corrective Services	1,588,607	229,131	0	29,549	1,847,287	100,000	1,747,287
Crown Law	1,235,500	246,945	340,394	15,789	1,838,628	0	1,838,628
Cultural Development	905,280	128,000	653,887	89,500	1,776,667	170,000	1,606,667
Education	12,307,497	2,425,820	5,495,147	615,000	20,843,464	0	20,843,464
Environment	1,081,782	301,001	1,160,000	42,789	2,585,572	35,000	2,550,572
Finance and Economic Management	6,727,267	1,008,993	30,777,297	574,000	39,087,557	631,947	38,455,610
Financial Services Development Authority	241,705	286,146	0	15,789	543,640	0	543,640
Foreign Affairs	3,075,452	1,129,094	25,000	45,000	4,274,546	503,421	3,771,125
Head of State	180,274	22,299	36,000	14,000	252,573	0	252,573
Health	13,133,557	3,598,951	3,919,790	1,781,000	22,433,298	350,000	22,083,298
Infrastructure Cook Islands	3,347,648	424,129	2,773,650	345,000	6,890,427	421,397	6,469,030
Internal Affairs	1,420,376	315,775	4,877,251	12,000	6,625,402	0	6,625,402
<i>of which: Welfare Payments - Allowances</i>			2,243,336				
Justice	2,033,976	425,001	841,112	23,000	3,323,089	425,000	2,898,089
Marine Resources	1,705,455	380,061	150,000	160,000	2,395,516	20,000	2,375,516
Ombudsman	239,876	65,111	0	6,000	310,987	0	310,987
Parliamentary Services	658,343	80,000	120,000	72,720	931,063	0	931,063
Police	4,310,402	392,075	265,000	1,555,333	6,522,810	186,943	6,335,867
Prime Minister's Office	1,632,551	447,178	1,983,000	47,494	4,110,223	0	4,110,223
Public Service Commission	497,396	323,445	2,063,170	17,789	2,901,800	0	2,901,800
Cook Islands Seabed Minerals Authority	784,331	607,056	375,000	20,134	1,786,521	240,000	1,546,521
Tourism Corporation	1,617,781	2,122,219	5,476,495	52,000	9,268,495	20,000	9,248,495
Transport	963,500	210,221	0	25,609	1,199,330	49,721	1,149,609
Total Ministries, Crown & Statutory Agencies	63,687,155	16,861,878	63,452,193	5,721,534	149,722,760	4,281,495	145,441,265

Agency	Personnel	Operating	Administered Payments	Depreciation	Gross Current Appropriation	Trading Revenue	Net Current Appropriation
Ministerial Support							
Prime Minister	406,069	121,289	0	12,642	540,000	0	540,000
Deputy Prime Minister	298,690	70,611	0	22,378	391,679	0	391,679
Ministerial Support 1	181,000	115,838	0	23,951	320,789	0	320,789
Ministerial Support 2	164,000	132,000	0	24,789	320,789	0	320,789
Ministerial Support 3	217,500	85,000	0	18,289	320,789	0	320,789
Ministerial Support 4	188,901	109,509	0	22,379	320,789	0	320,789
Leader Of Opposition	163,712	131,462	0	25,615	320,789	0	320,789
Total Ministerial Support Offices	1,619,872	765,709	0	150,043	2,535,624	0	2,535,624
Outer Islands							
Aitutaki	1,276,398	367,547	0	480,000	2,123,945	67,828	2,056,117
Atiu	982,600	458,918	0	430,000	1,871,518	224,318	1,647,200
Mangaia	1,041,247	611,848	0	210,000	1,863,095	301,000	1,562,095
Manihiki	810,317	159,165	0	460,000	1,429,482	119,000	1,310,482
Mauke	866,196	237,194	0	380,000	1,483,390	113,853	1,369,537
Mitiaro	804,028	88,527	0	93,000	985,555	60,900	924,655
Palmerston	292,496	71,851	0	80,000	444,347	20,500	423,847
Penrhyn	724,888	180,836	0	180,000	1,085,724	74,000	1,011,724
Pukapuka-Nassau	1,187,921	155,503	0	215,000	1,558,424	73,695	1,484,729
Rakahanga	466,762	67,761	0	82,000	616,523	52,000	564,523
Total Outer Islands	8,452,853	2,399,150	0	2,610,000	13,462,003	1,107,094	12,354,909
Gross Total	73,759,880	20,026,737	63,452,193	8,481,577	165,720,387	5,388,589	160,331,798

8.5. Schedule 2 – Payments on Behalf of the crown (POBOCS)

Administering Ministry	POBOC	2024/25 Budget Estimate	2024/25 HYEFU Estimate
Compensation of Employees			
Finance & Economic Management	Parliamentary Superannuation	180,000	180,000
Audit	PERC Salaries and Administration Costs	57,500	57,500
Parliamentary Services	Civil List - Personnel	2,871,961	2,871,961
Cultural Development	House of Ariki (CI)	336,690	353,955
Compensation of Employees POBOCs		3,446,151	3,463,416
Use of Goods and Services			
Audit	Audit Fees	103,000	155,000
Finance & Economic Management	Competition and Regulatory Authority	600,000	600,000
Marine Resources	Longline Licence application fees	11,840	11,840
Marine Resources	Fishing Licences application fees	12,600	12,600
Marine Resources	Palau Agreement Purse Seine fishing days scheme	150,000	150,000
Marine Resources	SIOFA and SPRFMO fisheries cost recovery	117,000	117,000
Prime Minister's Office	Local Government Election	50,000	50,000
Parliamentary Services	Civil List - Constituency Visits	170,200	170,200
Parliamentary Services	Parliamentary Sitting Expenses	200,000	200,000
Parliamentary Services	KR Travel and Allowances (local and overseas)	109,000	109,000
Parliamentary Services	MP Travel and Allowances (local and overseas)	450,000	450,000
Foreign Affairs	International Maritime Organization - Maritime Cook Islands	63,461	63,461
Foreign Affairs	International Subscriptions	1,040,000	1,060,632
Transport	Maritime Radio Coverage	120,000	120,000
Use of Goods and Services POBOCs		3,197,101	3,269,733
Subsidies			
Cook Islands Investment Corporation	Airport Authority subsidy	1,000,000	1,000,000
Cook Islands Investment Corporation	Bank of the Cook Islands - social assistance subsidy	128,000	128,000
Cook Islands Investment Corporation	Ports Authority - subsidy	110,099	110,099
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	0	0
Cook Islands Investment Corporation	Te Mana Uira o Araura - subsidy	0	0
Cook Islands Investment Corporation	To Tatou Vai (CI)	3,000,000	3,000,000
Subsidies POBOCs		4,238,099	4,238,099
Social Assistance			
Internal Affairs	Welfare Payments	21,862,666	21,862,666
Social Assistance POBOCs		21,862,666	21,862,666
Other Expense			
Finance & Economic Management	Pacific Catastrophe Risk Insurance	160,000	273,404
Finance & Economic Management	CIG Insurance	40,000	40,000
Finance & Economic Management	BEPS Subscription	45,000	45,000
Other Expenses POBOCs		245,000	358,404
Grand Total		32,989,017	33,192,318

8.6. Schedule 3 – Cook Islands Capital Spending

	2024/25 Budget Estimate	2024/25 HYEFU Estimate
Cook Islands Government Capital programs	19,074,407	26,412,929
Total Capital spending	19,074,407	26,412,929

8.7. Schedule 4 – Official Development Assistance

	2024/25 Budget Estimate	2024/25 HYEFU Estimate
Operating or recurrent expenditure	40,737,269	40,737,269
Capital Project Expenditure	49,303,303	49,303,303
Total Official Development Assistance	90,040,572	90,040,572

*Excludes Budget Support and Core Sector Support appropriated through agencies in Schedule 1.

8.8. Schedule 5a – Other Expenses & Financing Transactions

Category of Expense	2024/25 Budget Estimate	2024/25 HYEFU Estimate
Contingency Funds - Operating	100,000	446,800
Contingency Funds - Other Expenses	0	0
Crown Infrastructure Depreciation	4,603,000	4,603,000
Provisional for Doubtful Debts	0	0
Transfer to Emergency Response Trust Fund	50,000	50,000
Advanced Subsidiaries - Avaroa Cable Ltd	0	0
Transfer to Reserve Trust Fund	0	0
Depreciation Contingency Fund	2,174,000	2,174,000
Total Other Expenses	6,927,000	7,273,800

8.9. Schedule 5b – Loan Repayment Fund Appropriation

Category of Appropriation	2024/25 Budget Estimate	2024/25 HYEFU Estimate
Contribution to LRF - Principal	15,071,508	15,071,508
Contribution to LRF - Interest	10,002,271	10,002,271
Total Contribution to LRF	25,073,779	25,073,779

8.10. Summary

Category of Payment	2024/25 Budget Estimate	2024/25 HYEFU Estimate
Schedule 1 - Ministry Outputs (Gross Operating)	154,213,111	165,720,387
Schedule 2 - POBOCs	32,989,017	33,192,318
Schedule 3 - CIG Capital Expenditure	19,074,407	26,412,929
Schedule 4 - Official Development Assistance	90,040,572	90,040,572
Schedule 5a - Other Expenses and Financing Transactions	6,927,000	7,273,800
Schedule 5b - Loan Reserve Fund Appropriations	25,073,779	25,073,779
TOTAL APPROPRIATION	328,317,886	347,713,785

8.11. Schedule 6 – Capital Schedule

Ministry/Island	Project / Programme	Funding Source	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Agriculture			226,455	0	53,545	0	0	0
Rarotonga	Purchase of Capital Equipment	CIG	226,455	0	53,545	0	0	0
Cook Islands Investment Corporation			4,119,824	3,319,300	5,326,072	3,500,000	3,668,239	3,862,400
Aitutaki	Aitutaki Harbour Dredging	CIG	0	0	0	0	0	0
Aitutaki	Arutanga Harbour Project	CIG	413,816	1,210,000	1,286,184	0	0	0
Rarotonga	Arorangi Prison Remedial works	CIG	0	0	0	0	0	0
Rarotonga	Government Building Projects - Rarotonga	CIG	1,823,609	539,300	1,066,391	400,000	478,239	672,400
Rarotonga	Land Acquisition	CIG	49,909	500,000	595,091	250,000	0	0
Pa Enea	Pa Enea Government Building Projects - Northern Group	CIG	51,186	120,000	120,000	0	0	0
Pa Enea	Pa Enea Government Building Projects - Southern Group	CIG	224,069	0	225,931	600,000	1,940,000	1,940,000
Rarotonga	Rarotonga Cyclone Shelters - Remediation	CIG	13,612	250,000	250,000	250,000	250,000	250,000
Rarotonga	To Tatou Vai	CIG	746,097	500,000	1,500,000	2,000,000	1,000,000	1,000,000
Rarotonga	Airport Authority – Rarotonga Airport Slab Replacement	CIG	780,000	0	0	0	0	0
Rarotonga	Geotech scoping & feasibility	CIG	17,525	0	82,475	0	0	0
Rarotonga	Tepuka Sanitation project	CIG	0	200,000	200,000	0	0	0
Cultural Development			0	160,000	160,000	0	0	0
Rarotonga	Auditorium Equipment Replacement Programme	CIG	0	160,000	160,000	0	0	0
Education			400,000	300,000	300,000	300,000	300,000	300,000
National	Fund to be Prioritised by Education	CIG	400,000	300,000	300,000	300,000	300,000	300,000
Health			310,169	900,000	1,075,350	500,000	300,000	300,000
National	Fund to be Prioritised by Health	CIG	285,519	300,000	300,000	300,000	300,000	300,000
National	General X-ray & Mammography	CIG	24,650	600,000	775,350	200,000	0	0
Infrastructure Cook Islands			8,732,703	11,698,387	15,562,702	9,653,808	13,168,602	14,215,056
National	Bridges and Structures Asset Management and Improvement Programme	CIG	324,712	1,490,000	1,893,625	1,490,000	1,893,522	4,477,600
National	Drainage Asset Management and Improvement Programme	CIG	157,109	1,000,000	1,562,455	1,000,000	1,000,000	1,000,000
Penrhyn	Government Building Projects	CIG	59,329	0	437,159	0	0	0
Pa Enea	Pa Enea Air Infrastructure Improvement Programme	CIG	359,923	0	289,058	0	0	0
Pa Enea	Pa Enea Marine Infrastructure Improvement Programme	CIG	81,774	2,369,906	2,369,906	1,966,127	3,380,000	800,000
National	Roads Asset Management and Improvement Programme	CIG	7,552,883	5,988,481	8,102,303	5,047,681	6,745,080	7,787,456
National	Waste Management Infrastructure Improvement Programme	CIG	50,698	0	0	0	0	0
National	Water and Sanitation Infrastructure Improvement Programme	CIG	146,274	150,000	208,197	150,000	150,000	150,000

Ministry/Island	Project / Programme	Funding Source	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Aitutaki	Aitutaki Water Management	CIG	0	700,000	700,000	0	0	0
Finance and Economic Management			1,377,434	1,986,720	1,986,720	0	366,652	0
Rarotonga	COVID-19 Response Fund - Capital Needs	CIG	0	0	0	0	0	0
Rarotonga	Revenue Management System upgrade (RMS10)	CIG	337,539	1,986,720	1,986,720	0	366,652	0
Rarotonga	Purchase of Protocol Vehicles for PIFs Conference	CIG	1,039,896	0	0	0	0	0
Prime Minister's Office			196,033	300,000	300,000	300,000	300,000	300,000
National	Government IT Network	CIG	196,033	300,000	300,000	300,000	300,000	300,000
MINISTRY TOTAL			15,362,618	18,664,407	24,764,389	14,253,808	18,103,493	18,977,456
Capital Funds Administered by MFEM			533,160	410,000	1,648,540	410,000	710,000	710,000
National	Capital Distribution Fund	CIG	215,541	0	0	0	300,000	300,000
Pa Enea	Pa Enea Capital Distribution Fund	CIG	241,460	300,000	1,538,540	300,000	300,000	300,000
Pa Enea	Outer Islands Small Capital Fund	CIG	76,159	110,000	110,000	110,000	110,000	110,000
	<i>Aitutaki</i>		<i>12,343</i>	<i>16,000</i>	<i>16,000</i>	<i>16,000</i>	<i>16,000</i>	<i>16,000</i>
	<i>Atiu</i>		<i>0</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
	<i>Mangaia</i>		<i>6,361</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
	<i>Manihiki</i>		<i>7,621</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
	<i>Mauke</i>		<i>6,854</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
	<i>Mitiaro</i>		<i>6,950</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>
	<i>Palmerston</i>		<i>7,627</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
	<i>Penrhyn</i>		<i>9,761</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
	<i>Pukapuka-Nassau</i>		<i>11,517</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
	<i>Rakahanga</i>		<i>7,125</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>
			15,895,778	19,074,407	26,412,929	14,663,808	18,813,493	19,687,456

8.13. Schedule 8a – Administered Payments

Administering Ministry	Administered Payment	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Compensation of Employees							
Cook Islands Investment Corporation	Government Facilities Development Division	313,204	370,000	370,000	420,000	420,000	420,000
Cook Islands Investment Corporation	School Security	247,745	230,000	230,000	230,000	230,000	230,000
Finance and Economic Management	The Centre of Research and Policy Studies	79,977	80,000	80,000	80,000	80,000	80,000
Justice	Judges Allowances	461,843	465,000	577,003	465,000	465,000	465,000
Public Service Commission	HOM's Salaries	1,989,645	2,063,170	2,063,170	2,063,170	1,903,170	1,903,170
	Compensation of Employees Administered Payments	3,092,414	3,208,170	3,320,173	3,258,170	3,098,170	3,098,170
Use of Goods and Services							
Cook Islands Seabed Minerals Authority	Seabed Minerals Sector Development	111,801	0	175,000	0	0	0
Cook Islands Seabed Minerals Authority	Seabed Minerals Compliance Development	0	200,000	200,000	250,000	250,000	250,000
Cook Islands Investment Corporation	Provision for Land Rentals	452,071	400,000	400,000	400,000	400,000	400,000
Cook Islands Investment Corporation	Land Rent Reviews	0	0	0	0	0	0
Cook Islands Investment Corporation	CIG Buildings Repairs & Maintenance	1,025,367	1,000,000	1,000,000	1,000,000	1,500,000	1,500,000
Cook Islands Investment Corporation	Infrastructure Committee	98,124	70,000	70,000	100,000	100,000	100,000
Cook Islands Investment Corporation	Joint Venture with Seabed Minerals Authority	50,000	50,000	50,000	50,000	50,000	50,000
Crown Law	Legal Provisions	79,300	100,000	158,904	100,000	100,000	100,000
Crown Law	Lexis Nexis - Portal Maintenance	128,472	80,000	181,490	80,000	80,000	80,000
Cultural Development	National Events Fund	1,199,784	500,000	538,887	500,000	500,000	500,000
Cultural Development	Te Kopapa Reo Maori Board	14,350	15,000	15,000	15,000	15,000	15,000
Cultural Development	Cook Islands Cultural Fund	92,997	100,000	100,000	100,000	150,000	150,000
Education	Tertiary Training Institutions	1,100,000	1,040,000	1,040,000	1,040,000	1,160,000	1,160,000
Education	Bus Service	36,270	26,325	26,325	26,325	26,325	26,325
Education	University of the South Pacific Contribution	201,216	205,000	205,000	205,000	205,000	205,000
Environment	Legacy Waste - Vehicles & Whiteware	360,000	360,000	360,000	0	0	0
Environment	EIA Process	149,595	150,000	150,000	150,000	150,000	150,000
Environment	Management of Suwarrow Park	100,000	100,000	100,000	100,000	100,000	100,000
Environment	Feasibility Study for Coastal Protection - Rarotonga & Aitutaki	0	0	400,000	0	0	0
Environment	Management of Environmental priorities - Pa Enuā	0	50,000	50,000	300,000	660,000	180,000
Environment	Strengthening Technical Capacity	0	100,000	100,000	0	0	0
Finance and Economic Management	Public Sector Strengthening-processes and systems	104,039	86,000	138,930	86,000	150,000	150,000
Finance and Economic Management	Economic Recovery Roadmap	331,195	1,152,260	3,219,260	150,000	200,000	200,000
Finance and Economic Management	The Centre of Excellence in Information Technology (CEIT)	66,001	60,000	60,000	60,000	60,000	60,000
Finance and Economic Management	Audit of Crown Accounts	0	30,000	30,000	30,000	30,000	30,000
Finance and Economic Management	Standard and Poors Subscription	98,031	70,000	70,000	70,000	70,000	70,000
Finance and Economic Management	Special Investigative and Prosecution Services	43,311	50,000	50,000	50,000	50,000	50,000
Finance and Economic Management	FMIS Maintenance	77,532	150,000	210,468	150,000	150,000	150,000

Administering Ministry	Administered Payment	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Finance and Economic Management	ASYCUDA Administrative Fund	0	100,250	200,500	100,250	100,250	100,250
Finance and Economic Management	Cook Islands Red Cross	50,000	50,000	50,000	50,000	50,000	50,000
Finance and Economic Management	IGOR - International Exchange of Information system upgrade	144,330	55,430	55,430	55,430	55,430	55,430
Finance and Economic Management	Pa Enea Tax Policy - RMS tax system change	0	80,000	80,000	0	0	0
Finance and Economic Management	Oceania Customs Organisation Conference (OCO)	0	50,000	50,000	0	0	0
Finance and Economic Management	Pacific Financial Technical Assistance Centre (PFTAC)	0	40,000	40,000	40,000	40,000	40,000
Finance and Economic Management	Te Maeva Nui 60th Celebration Transportation	0	1,230,072	1,230,072	1,250,000	0	0
Finance and Economic Management	Establishment of Shipping Services	0	800,000	800,000	2,000,000	3,500,000	3,500,000
Finance and Economic Management	Tarai Vaka Fund	657	20,000	20,000	20,000	20,000	20,000
Finance and Economic Management	National Census	0	0	0	0	350,000	350,000
Finance and Economic Management	Conduct of a Labour Force Survey	21,099	0	178,901	0	0	0
Finance and Economic Management	Price Tribunal Committee	62,104	45,000	47,896	45,000	45,000	45,000
Finance and Economic Management	Asian Infrastructure Investment Bank (AIIB) Membership	31,862	30,500	30,500	30,500	30,500	30,500
Finance and Economic Management	Production of new currency, transportation and sale of old coins	274,877	350,000	425,123	200,000	350,000	350,000
Finance and Economic Management	National Heritage Trust Fund	126,914	122,241	122,241	122,241	122,241	122,241
Foreign Affairs	Cook Islands Student Association Support	0	10,000	20,000	10,000	10,000	10,000
Foreign Affairs	Returned Services Association	4,958	5,000	5,000	5,000	5,000	5,000
Head Of State	Domestic Hosting Entertainment	15,726	15,000	15,000	15,000	15,000	15,000
Head Of State	KR Social Responsibility Fund	18,000	8,000	8,000	8,000	8,000	8,000
Head Of State	Head of State Rent	6,521	13,000	13,000	13,000	13,000	13,000
Health	Pharmaceuticals	1,445,236	1,167,800	1,167,800	1,167,800	1,167,800	1,167,800
Health	Law and Order Clinical Psychologist	0	90,000	90,000	90,000	90,000	90,000
Health	NCD Fund	195,000	195,000	195,000	295,000	295,000	295,000
Health	Workforce Development	234,070	234,070	234,070	234,070	500,230	384,070
Health	Patient Referrals	2,267,080	1,850,000	2,232,920	1,850,000	1,850,000	1,850,000
Infrastructure Cook Islands	Bridges and Stream Structure Maintenance	259,887	700,000	700,000	600,000	700,000	700,000
Infrastructure Cook Islands	Waste Management	801,703	1,015,000	1,015,000	915,000	965,000	1,050,000
Infrastructure Cook Islands	Road and Drainage Asset Management	1,188,983	0	0	0	0	0
Infrastructure Cook Islands	Emergency Response Work	84,253	125,000	125,000	200,000	200,000	200,000
Infrastructure Cook Islands	Water Maintenance	0	133,650	133,650	133,650	50,000	50,000
Infrastructure Cook Islands	Road Asset Management	0	800,000	800,000	800,000	800,000	800,000
Infrastructure Cook Islands	Drainage Asset Management	0	0	0	400,000	400,000	400,000
Internal Affairs	Internal Affairs Youth Program	45,000	45,000	45,000	45,000	45,000	45,000
Internal Affairs	Vaka Maintenance	447,716	450,000	450,000	450,000	500,000	500,000
Internal Affairs	Lease extension	36,000	72,000	72,000	72,000	72,000	72,000
Internal Affairs	International Labour Conference	74,000	0	0	0	0	0
Justice	Land Agents Registration Board	0	11,000	11,000	11,000	11,000	11,000
Justice	Project to bring land records up to date	88,891	120,000	151,109	120,000	120,000	120,000
Justice	Customs Appeal Authority	0	62,000	62,000	62,000	0	0

Administering Ministry	Administered Payment	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Parliamentary Services	Special Select Committee	99,599	120,000	120,000	120,000	120,000	120,000
Police	Search and Rescue	14,213	20,000	20,000	20,000	20,000	20,000
Police	Serious Crime Investigations	99,926	100,000	100,000	100,000	100,000	100,000
Police	Te Kukupa - Biannual Slipping	0	0	0	0	0	0
Police	Te Kukupa - Fuel Contribution	52,222	100,000	100,000	200,000	250,000	250,000
Police	Police Youth Program	40,235	45,000	45,000	45,000	45,000	45,000
Prime Minister's Office	Social Responsibility Fund	455,591	483,000	483,000	483,000	483,000	483,000
Prime Minister's Office	Cabinet Support Fund	267,722	270,000	270,000	270,000	270,000	270,000
Prime Minister's Office	Pa Enea Mechanical Overseer	115,583	140,000	140,000	120,000	120,000	120,000
Prime Minister's Office	Pa Enea Machinery Maintenance Fund	98,191	100,000	100,000	100,000	100,000	100,000
Prime Minister's Office	OPM ICT Activities - Internet Data and Fiber Connection	399,748	500,000	500,000	538,000	624,650	624,650
Prime Minister's Office	OPM ICT Activities - Licenses and Software	431,938	450,000	450,000	450,000	450,000	450,000
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	4,743,000	3,426,495	3,426,495	4,023,438	4,000,000	3,750,000
Tourism Corporation	Marketing Resources - Tourism Growth Strategy (USD payments)	0	1,800,000	1,800,000	2,000,000	2,000,000	2,000,000
Tourism Corporation	Destination Development	0	250,000	250,000	500,000	500,000	500,000
	Use of Goods and Services Administered Payments	20,662,291	24,044,093	27,779,971	25,391,704	27,719,426	26,958,266
Subsidies							
Finance and Economic Management	Airline Route Development	13,979,270	17,921,196	22,348,586	16,035,575	15,037,500	15,028,699
Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Enea	0	45,000	45,000	45,000	45,000	45,000
Finance and Economic Management	Universal Access Fund	0	51,000	51,000	0	0	0
Finance and Economic Management	Provision for Inter Island Shipping	1,235,647	500,000	1,143,391	500,000	500,000	500,000
	Subsidies Administered Payments	15,214,917	18,517,196	23,587,977	16,580,575	15,582,500	15,573,699
Social Assistance							
Education	Government Funded Scholarships	728,635	780,000	881,365	780,000	780,000	780,000
Education	Government Funded Scholarships - Fees Free	50,000	80,000	80,000	80,000	80,000	80,000
Internal Affairs	Welfare Payments - Allowances	1,731,359	2,243,336	2,243,336	2,367,523	2,475,161	2,574,017
Justice	Legal Aid	27,286	40,000	40,000	40,000	40,000	40,000
	Social Assistance Administered Payments	2,537,280	3,143,336	3,244,701	3,267,523	3,375,161	3,474,017
Other Expense							
Education	Private School Funding	3,176,531	2,735,277	3,262,457	2,758,627	2,758,627	2,758,627
Internal Affairs	SIF - Cook Islands Government Contribution	989,686	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Internal Affairs	SIF - ODA Graduation Support Fund	686,915	686,915	686,915	686,915	0	0
Internal Affairs	CISNOC Grant	370,000	370,000	370,000	370,000	370,000	370,000
Marine Resources	Fisheries Development Facility	148,835	150,000	150,000	150,000	150,000	150,000
Internal Affairs	Religious Advisory Council	10,000	10,000	10,000	10,000	10,000	10,000
Prime Minister's Office	State Events	39,963	40,000	40,000	40,000	40,000	40,000
	Other Expenses Administered Payments	5,421,930	4,992,192	5,519,372	5,015,542	4,328,627	4,328,627
Grand Total		46,928,832	53,904,987	63,452,194	53,513,514	54,103,884	53,432,779

8.14. Schedule 8b – Payments on Behalf of Crown (POBOCs)

Administering Ministry	POBOC	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Compensation of Employees							
Finance and Economic Management	Parliamentary Superannuation	73,928	180,000	180,000	180,000	180,000	180,000
Audit (PERCA)	PERC Salaries and Administration Costs	57,482	57,500	57,500	57,500	57,500	57,500
Parliamentary Services	Civil List - Personnel	2,909,464	2,871,961	2,871,961	2,871,961	2,871,961	2,871,961
Cultural Development	House of Ariki (CI)	302,408	336,690	353,955	336,690	336,690	336,690
	Compensation of Employees POBOCs	3,343,282	3,446,151	3,463,416	3,446,151	3,446,151	3,446,151
Use of Goods and Services							
Audit (PERCA)	Audit Fees	51,000	103,000	155,000	103,000	103,000	103,000
Finance and Economic Management	Competition and Regulatory Authority	400,000	600,000	600,000	722,131	833,945	887,445
Marine Resources	Longline License application fees	0	11,840	11,840	11,840	11,840	11,840
Marine Resources	Fishing Licenses application fees	0	12,600	12,600	12,600	12,600	12,600
Marine Resources	Palau Agreement Purse Seine fishing days scheme	0	150,000	150,000	320,000	320,000	320,000
Marine Resources	SIOFA and SPRFMO fisheries cost recovery	0	117,000	117,000	117,000	0	0
Parliamentary Services	Civil List - Constituency Visits	169,494	170,200	170,200	170,200	170,200	170,200
Parliamentary Services	Parliamentary Sitting Expenses	264,464	200,000	200,000	248,335	248,335	248,335
Parliamentary Services	MP Travel and Allowances (local and overseas)	521,731	450,000	450,000	450,000	550,000	550,000
Parliamentary Services	KR Travel and Allowances (local and overseas)	181,908	109,000	109,000	109,000	109,000	109,000
Transport	Maritime Radio Coverage	282,743	120,000	120,000	120,000	120,000	120,000
Prime Minister's Office	Local Government Election	0	50,000	50,000	0	0	0
Foreign Affairs	International Maritime Organisation - Maritime Cook Islands	52,132	63,461	63,461	63,461	63,461	63,461
Foreign Affairs	International Subscriptions	1,120,105	1,040,000	1,060,632	1,040,000	890,000	890,000
	Use of Goods and Services POBOCs	3,043,577	3,197,101	3,269,733	3,487,567	3,432,381	3,485,881
Subsidies							
Cook Islands Investment Corporation	Bank of the Cook Islands - social assistance subsidy	128,000	128,000	128,000	128,000	128,000	128,000
Cook Islands Investment Corporation	Airport Authority subsidy	1,500,000	1,000,000	1,000,000	500,000	0	0
Cook Islands Investment Corporation	Ports Authority - subsidy	110,099	110,099	110,099	110,099	110,099	110,099
Cook Islands Investment Corporation	To Tatou Vai (CI)	2,991,114	3,000,000	3,000,000	2,500,000	2,500,000	2,800,000
	Subsidies POBOCs	4,729,213	4,238,099	4,238,099	3,238,099	2,738,099	3,038,099
Social Assistance							
Internal Affairs	Welfare Payments	21,369,250	21,862,666	21,862,666	22,056,430	22,242,072	22,423,265
	Social Assistance POBOCs	21,369,250	21,862,666	21,862,666	22,056,430	22,242,072	22,423,265
Other Expense							
Finance and Economic Management	Pacific Catastrophe Risk Insurance	46,596	160,000	273,404	160,000	160,000	160,000
Finance and Economic Management	BEPS Subscription	40,698	45,000	45,000	45,000	45,000	45,000
Finance and Economic Management	CIG Insurance	41,094	40,000	40,000	40,000	40,000	40,000
	Other Expenses POBOCs	128,388	245,000	358,404	245,000	245,000	245,000
Grand Total		32,613,710	32,989,017	33,192,318	32,473,247	32,103,703	32,638,396

8.15. Schedule 9a – Debt Servicing Schedule (\$'000)

Creditor	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Asian Development Bank (ADB)						
<i>Principal</i>	8,264	10,099	10,152	11,886	13,133	14,336
<i>Interest</i>	7,929	8,029	7,710	7,590	7,126	6,550
Total Debt Servicing to ADB	16,193	18,128	17,862	19,476	20,259	20,886
People's Republic of China (EXIM)						
<i>Principal</i>	2,784	2,748	2,777	2,766	2,769	2,779
<i>Interest</i>	462	401	406	349	294	239
Total Debt Servicing to China	3,246	3,149	3,183	3,115	3,062	3,018
Asian Infrastructure Investment Board (AIIB)						
<i>Principal</i>	1,750	2,225	2,275	2,954	3,862	5,078
<i>Interest</i>	1,688	1,572	1,541	1,377	1,233	1,017
Total Debt Servicing to AIIB	3,438	3,797	3,816	4,331	5,094	6,096
Total Servicing of Other Debt	22,878	25,074	24,861	26,922	28,416	30,000

8.16. Schedule 9b – Loan Repayment Fund (LRF) Schedule (\$'000)

Transaction	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Opening Balance in LRF	5,048	3,909	5,374	5,694	5,808	5,924
Contribution to LRF - Principal	13,123	15,072	15,072	17,606	19,763	22,193
Contribution to LRF - Interest	8,960	10,002	10,002	9,316	8,653	7,806
Total Transfer into LRF by Government	22,083	25,074	25,074	26,922	28,416	30,000
Interest earned by LRF (avg 2%)	101	72	107	114	116	118
Total inflows	22,184	25,146	25,181	27,036	28,532	30,118
Repayment of prepaid SOE Debt						
Contribution from LRF - Principal	743	704	714	709	708	626
Contribution from LRF - Interest	56	46	47	39	32	25
Total Repayment of SOE Debt	799	750	761	748	740	651
Repayment of Other Debt						
Contribution from LRF - Principal	12,055	14,368	14,490	16,897	19,056	21,567
Contribution from LRF - Interest	10,024	9,956	9,610	9,276	8,620	7,781
Total Repayment of Other Debt	22,079	24,324	24,101	26,173	27,676	29,348
Total Principal paid out of the LRF	12,798	15,072	15,204	17,606	19,763	22,193
Total Interest paid out of the LRF	10,080	10,002	9,657	9,316	8,653	7,806
Total outflows	22,878	25,074	24,861	26,922	28,416	30,000
Other Movements - revaluation	0	(80)	123	(212)	(268)	(45)
Closing balance of LRF	5,374	4,061	5,571	5,897	6,281	6,444

8.17. Schedule 10 – Official Development Assistance Schedule

Development Partner	Programs/Projects by Agency	Funding Type	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Cook Islands General Budget Support								
NZ	Cook Islands Core Sector Support - Budget Support	Budget Support	9,100,000	0	0	0	0	0
Total General Budget Support			9,100,000	0	0	0	0	0
Recurrent ODA Expenditure								
NZ	Cook Islands Core Sector Support - TA Component	Grant	1,392,101	100,000	100,000	0	0	0
NZ	COVID-19 Economic Recovery Support - November 2021	Grant	0	44,343	44,343	0	0	0
NZ	Cook Islands Climate Change: Improving Access to Finance	Grant	63,667	391,835	391,835	0	0	0
NZ	MFAI Support for the Cook Islands PIF 2023 Chairing Responsibilities	Grant	241,070	59,719	59,719	0	0	0
NZ	New Zealand Climate Finance (managed via ITF)	Grant	0	1,067,000	1,067,000	10,000,000	0	0
NZ	Northern Group RE Battery Replacement	Grant	189,876	12,933,000	12,933,000	0	0	0
China	COVID-19 Co-operation Cash Grant for Administration	Grant	0	50,000	50,000	0	0	0
GCF	GCF COK-PPF-039: Building Resilient and Healthy Cook Islands Communities	Grant	192,239	0	0	0	0	0
GCF	UNEP FP147: Enhancing Climate Information and Knowledge Services	Grant	693,799	3,171,358	3,171,358	1,042,077	843,310	841,607
GCF	UNOPs COK-RS-005: Enhancing a National Adaptation Programmes	Grant	944,514	1,500,000	1,500,000	483,000	0	0
GCF	UNOPs COK-RS-004: Green Resilient Recovery Rapid Readiness Support	Grant	139,691	0	0	0	0	0
GCF	DAE Direct Support Readiness	Grant	88,148	245,950	245,950	32,000	0	0
GCF	COK-RS-007 Multi-Year Readiness and Preparatory Support Programme for GCF	Grant	0	1,445,978	1,445,978	1,624,695	1,405,361	361,878
GCF	SAP-034 ATOM - Building a Healthy and Resilient Cook Islands Communities	Grant	0	4,500,000	4,500,000	7,012,401	3,835,393	3,436,898
GCF	PPF-082 EDA Project Preparation Facility	Grant	0	490,000	490,000	0	0	0
EU	Budget Support to the Sanitation Sector	Grant	3,892	137,203	137,203	0	0	0
NZ	COVID-19 Rapid Impact Assessment Survey CI NSO	Grant	41,519	0	0	0	0	0
Other	Aid Effectiveness	Budget Support	109,559	200,000	200,000	200,000	200,000	200,000
GEF	Fourth National Communications - UNFCCC	Grant	177,312	200,000	200,000	0	0	0
UNDP	Western Pacific Multi-Country Integrated HIV/TB programme - UNDP	Grant	24,650	60,000	60,000	60,000	60,000	60,000
EU	Sustainable Fisheries Partnership Agreement - Sectoral Support 2022 - 2024	Grant	0	1,180,000	1,180,000	0	0	0
GEF	Nagoya Protocol on Access to Genetic Resources and Benefit Sharing	Grant	4,913	30,000	30,000	0	0	0
Other	National Archive Digitization Programme MOCD	Grant	1,916	70,000	70,000	0	0	0
UNESCO	Intangible Cultural Heritage Funds Programme	Grant	10,497	40,000	40,000	0	0	0
NZ	CI Pacific Maritime Safety Programme	Grant	167,978	271,514	271,514	0	0	0
UNEP	HCFC Phase-Out Management Plan for PIC Stage 1 & 2	Grant	1,200	14,000	14,000	0	0	0
UNEP	Institutional Strengthening Project (ISP)	Grant	62,961	57,000	57,000	0	0	0
Aus - SPC	Cook Islands Coastal Fisheries and Aquaculture TA	Grant	155,121	400,000	400,000	0	0	0

Development Partner	Programs/Projects by Agency	Funding Type	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Aus - SPC	Otolith Laboratory	Grant	77,047	20,000	20,000	0	0	0
NZ	Cook Islands Domestic ICT Connectivity Improvements	Grant	27,790	2,966,652	2,966,652	0	0	0
Other	Small Projects Grant funding	Grant	1,256,548	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
GEF	GEF 7 National Project	Grant	287,366	1,411,500	1,411,500	2,000,000	1,992,800	0
GEF	GEF Enabling Activity for UNCCD	Grant	0	91,324	91,324	0	0	0
FFA	Fisheries Project Development Fund	Grant	277,229	280,000	280,000	280,000	280,000	280,000
SPC	GCCA + SUPA - Enhancing a Climate Resilient Marine Sector	Grant	196,388	0	0	0	0	0
UNICEF	UNICEF INTAFF Support Cook Islands Development of Disability Action	Grant	112,142	50,000	50,000	0	0	0
UNICEF	CI National Policy for Children	Grant	26,925	63,340	63,340	0	0	0
UNDP	UNPRPD Strengthening our Work together Joint Programme	Grant	44,123	0	0	0	0	0
UNICEF	UNICEF INTAFF MIS Piloting & Implementation Phase	Grant	15,153	75,000	75,000	0	0	0
UNEP	Strengthening National-level Institutional & Professional Capacities - UNCCD	Grant	2,183	109,876	109,876	0	0	0
UNEP	Global Biodiversity Framework Early Action Support Project	Grant	10,234	362,172	362,172	162,470	84,171	0
China	MFAI Support for the Cook Islands PIF 2023 Grant Funds	Grant	308,273	10,055	10,055	0	0	0
Australia	Pacific Island Leaders Meeting Support	Grant	551,383	176,270	176,270	0	0	0
PIFS	Pacific Island Leaders Meeting Support	Grant	58,337	0	0	0	0	0
Saudi	Pacific Island Leaders Meeting Support	Grant	250,652	337,576	337,576	0	0	0
Switzerland	Pacific Island Leaders Meeting Support	Grant	65,340	0	0	0	0	0
Australia	Pacer Plus MFAI National Coordinator of the Cook Islands	Grant	56,000	40,000	40,000	0	0	0
China	Agricultural Machineries for Cook Islands	Grant	0	107,640	107,640	0	0	0
China	Agriculture and Forestry Machinery – Cook Islands	Grant	120,000	0	0	0	0	0
FAO	Data Collection Agriculture Activities in the 2021 Census of Population and Dwelling	Grant	37,520	15,000	15,000	0	0	0
FAO	Improving Production of Wetland Taro	Grant	10,044	57,500	57,500	0	0	0
GEF	Circular Solutions to Plastic Pollution Integrated Program - GEF8	Grant	0	102,947	102,947	0	0	0
UNDP	UNFPA - Kopu Tangata Matutu Cook Islands Family Wellbeing Plan 2024-2027	Grant	0	250,000	250,000	250,000	250,000	0
Australia	Gender Activities	Grant	0	141,517	141,517	0	0	0
SPREP	Pacific Ocean Litter Project (POLP)	Grant	0	410,000	410,000	390,000	20,000	0
Total Recurrent ODA Expenditure			8,497,300	40,737,269	40,737,269	28,536,643	13,971,035	10,180,383
Capital ODA Expenditure								
NZ	Manatua Polynesian Cable Project	Grant	382,444	0	0	0	0	0
NZ	Mei Te Vai Ki Te Vai (MTVKTV)	Grant	0	0	0	0	0	0
Japan	Procurement of a cargo and passenger vessel	Grant	0	5,800,000	5,800,000	0	0	0
NZ	Cook Islands Infrastructure Trust Fund	Grant	49,217	15,000,000	15,000,000	10,400,000	0	0
NZ	Cook Islands Infrastructure Trust Fund - Rarotonga Airport Refurbishment	Grant	0	0	0	0	0	0
NZ	Cook Islands Infrastructure Trust Fund - Te Tau Papa O Avarua CIIC	Grant	1,297,167	7,000,000	7,000,000	0	0	0

Development Partner	Programs/Projects by Agency	Funding Type	2023/24 Actual	2024/25 Budget Estimate	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
NZ	Cook Islands Infrastructure Trust Fund - Manihiki Airport Upgrade	Grant	1,191,323	12,000,000	12,000,000	0	0	0
EU	Budget Support to the Sanitation Sector	Grant	179,646	678,914	678,914	0	0	0
Japan	Domestic Shipping – mixed Cargo / Passenger Ship	2nd Party Spend	0	2,600,000	2,600,000	0	0	0
GEF	Renewable Energy Grant (Southern Group)	3rd Party Spend	0	0	0	0	0	0
GCF	Renewable Energy Grant (Southern Group)	3rd Party Spend	559,572	2,668,620	2,668,620	0	0	0
NZ	Rarotonga Airport Upgrade Designs	Grant	70,167	0	0	0	0	0
ADB	JFPR - Supporting Safe Recovery of Travel and Tourism in Cook Islands	3rd Party Spend	716,660	2,466,656	2,466,656	0	0	0
NZ	Improving Geospatial Data - LiDAR	Grant	217,748	1,089,113	1,089,113	0	0	0
SPC	Managing Water Scarcity through Strengthened Water Resources Project Fund 2	Grant	1,136,000	0	0	0	0	0
Total Capital ODA Expenditure			5,799,943	49,303,303	49,303,303	10,400,000	0	0
Total NZD Equivalent ODA Funding			23,397,242	90,040,572	90,040,572	38,936,643	13,971,035	10,180,383
Total NZD Equivalent ODA Funding - (excluding General Budget Support)			14,297,242	90,040,572	90,040,572	38,936,643	13,971,035	10,180,383

9. Financial Statements

9.1. Statement of Financial Performance

	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Revenue					
Taxation Revenues	167,411	182,387	191,178	196,868	204,759
Trading Revenue	6,720	5,389	5,232	5,232	5,232
Interest Revenue	2,698	646	646	647	649
Dividends	1,220	1,600	1,700	2,750	3,550
Core Sector Support	9,100	0	0	0	0
Other Revenue	16,653	17,308	18,135	19,199	19,193
Total Revenue	203,802	207,329	216,892	224,697	233,383
Expenditure					
Crown Appropriation	134,756	157,239	147,756	151,300	151,608
Depreciation	13,473	15,259	15,259	15,181	15,181
Payments on Behalf of Crown	32,614	33,192	32,473	32,104	32,638
Debt-servicing interest	7,147	10,626	9,815	9,091	8,380
Other expenditure	3,611	497	150	150	150
Total Expenditure	191,602	216,812	205,453	207,826	207,958
NET OPERATING SURPLUS / (SHORTFALL)	12,200	(9,483)	11,438	16,870	25,425
Grants					
Foreign Aid Revenue	8,497	40,737	28,537	13,971	10,180
Foreign Aid Expenses	8,497	40,737	28,537	13,971	10,180
Grant Balance	0	0	0	0	0
Net Operating Balance after Grants	12,200	(9,483)	11,438	16,870	25,425

9.2. Statement of Financial Position

	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Assets					
Working Capital Fund	61,817	76,317	71,080	64,827	63,957
Stabilisation Fund	3,544	3,544	3,544	3,544	3,544
General Cash Reserve	65,361	79,861	74,624	68,371	67,501
Loan Reserves Fund (LRF)	5,374	5,572	5,895	6,280	6,451
Disaster Response Trust Fund	2,078	2,128	2,178	2,228	2,278
Other Trust Funds	46,314	46,314	46,314	46,314	46,314
Other Assets	155,700	155,700	155,700	155,700	155,700
Advances to SOEs	51,950	49,552	47,673	46,181	44,865
Plant, Property, and Equipment	280,238	340,696	350,501	354,133	358,639
Total Assets	607,015	679,823	682,884	679,206	681,748
Liabilities					
Creditors and Other Payables	132,507	132,507	132,507	132,507	132,507
Trust Liabilities	52,261	52,261	52,261	52,261	52,261
Borrowings	221,717	253,800	234,880	214,382	191,779
Total Liabilities	406,485	438,568	419,649	399,150	376,547
NET CROWN BALANCE	200,529	241,255	263,235	280,056	305,201

9.3. Statement of Borrowings

	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Total Gross Borrowing	221,717	253,800	234,880	214,382	191,779
Assets held against Borrowings					
Advances to Subsidiaries	51,950	49,552	47,673	46,181	44,865
Loan Repayment Fund (LRF)	5,374	5,572	5,895	6,280	6,451
Total Assets Held Against Borrowings	57,324	55,124	53,567	52,461	51,316
Total Net Borrowing	164,393	198,675	181,313	161,921	140,463

9.4. Statement of Cashflow

	2023/24 Actual	2024/25 HYEFU Estimate	2025/26 Projection	2026/27 Projection	2027/28 Projection
Cashflows from Operating Activities					
<u>Cash provided from:</u>					
Taxation Revenues	167,411	182,387	191,178	196,868	204,759
Trading Revenue	6,720	5,389	5,232	5,232	5,232
Interest Revenue	2,597	538	532	531	530
Foreign Aid Income	14,297	90,041	38,937	13,971	10,180
Core Sector Support	9,100	0	0	0	0
Other Revenue	16,653	17,308	18,135	19,199	19,193
	216,778	295,662	254,015	235,801	239,895
<u>Cash applied to:</u>					
Crown Appropriation	134,756	157,239	147,756	151,300	151,608
Depreciation	0	0	0	0	0
Payments on Behalf of the Crown	32,614	33,192	32,473	32,104	32,638
Foreign Aid Expense	8,497	40,737	28,537	13,971	10,180
Net Debt-Servicing Interest	0	0	0	0	0
Other Expenditure	3,611	497	150	150	150
	179,479	231,665	208,916	197,525	194,577
Net Cashflows from Operating Activities	37,299	63,997	45,098	38,276	45,318
Cashflows from Financing Activities					
<u>Cash provided from:</u>					
Subsidiary Loan Repayments	799	761	748	740	651
Other Investment Receipts	1,220	1,600	1,700	2,750	3,550
	2,019	2,361	2,448	3,490	4,201
<u>Cash applied to:</u>					
Capital expenditure	15,896	26,413	14,664	18,813	19,687
Capital expenditure - foreign aid	5,800	49,303	10,400	0	0
Advances to Subsidiaries	0	0	0	0	0
	21,696	75,716	25,064	18,813	19,687
Net Cashflows from Investing Activities	(19,677)	(73,355)	(22,616)	(15,323)	(15,486)
Cashflows from Financing Activities					
<u>Cash provided from:</u>					
Loans Drawdown	0	49,743	0	0	0
Other Financing Receipts	0	0	0	0	0
	0	49,743	0	0	0
<u>Cash applied to:</u>					
Loan Repayment Fund	22,882	25,835	27,670	29,156	30,651
Other Reserves	50	50	50	50	50
Other Financing Payments	0	0	0	0	0
	22,932	25,885	27,720	29,206	30,701
Net Cashflows from Financing Activities	(22,932)	23,858	(27,720)	(29,206)	(30,701)
Net cash movements	-5,309	14,500	(5,237)	(6,253)	(869)
Opening General Cash Balance	70,670	65,361	79,861	74,624	68,370
Closing General Cash Reserve	65,361	79,861	74,624	68,370	67,501

9.5. Statement of Financial Risks

Quantifiable Contingent Liabilities	(\$'000)
Guarantees and indemnities	50
Uncalled capital	2,600
Legal proceedings and disputes	3,900
Vested Assets	24,800
Total Quantifiable Contingent Liabilities	31,350

The total quantifiable contingent liabilities for 2024/25 is estimated to be \$31.4 million with further details outlined below. Possible liabilities stemming from the Island Governments are also discussed.

9.5.1. Guarantees and indemnities relate to the following

The Government entered into a programme in 2011/12 under the New Zealand Aid Programme, specifically targeting support for the Pearl Sector through the Cook Islands Pearl Authority. As part of the initiative, the Government guaranteed up to \$500,000 as security for loans associated with the Pearl Production Credit Scheme. Although the loan program has been discontinued, there is still an outstanding debt of approximately \$50,000 on the loan scheme.

9.5.2. Uncalled Capital

The Government holds \$1.9 million in uncalled shares with the Asian Development Bank (ADB), represented by 88 uncalled-shares with a par-value of USD 13,500 each. In addition, the Government holds \$644,330 in uncalled shares with the Asian Infrastructure Investment Bank (AIIB), consisting of four uncalled-shares with a par-value of USD 100,000 each.

Table 9-1 Uncalled Capital Breakdown (\$)

Party	Shares	USD per share (\$)	NZD Value (\$)
Asian Development Bank	88	13,500	1,922,330
Asian Infrastructure Investment Bank	4	100,000	647,249
Total		1,588,000	2,569,579
Foreign Exchange Rate (USD/NZD)	1.62		

The total has been rounded up for conservatism in the total of Contingent Liabilities.

9.5.3. Legal Proceedings and Disputes

This contingency consists of various cases and is an estimate of the maximum potential liability (damages and costs) of the Crown known at the time of publication.

9.5.4. Financial liabilities relating to Island Governments

The Ministry of Finance and Economic Management (MFEM) confirms that no contracts or securities from Island Governments have been approved that could result in potential liabilities. Island Governments do not receive preferential treatment concerning public or other liabilities, and the likelihood of such liabilities arising remains minimal. No additional risk mitigation measures have been implemented beyond those applied to other government agencies on Rarotonga.

However, unsettled invoices present a potential challenge that may require stricter financial controls than those outlined in the Cook Islands Financial Policies and Procedures Manual, the MFEM Act 1995-96, and the Public Expenditure Review Committee and Audit (PERCA) Act 1995-96. While MFEM is implementing a Financial Management and Information System (FMIS) to improve the efficiency of invoice processing and record-keeping, the manual nature of certain billing processes means that this risk cannot be fully eradicated.

10. Accounting Policies

This section outlines the accounting policies used for the Government of the Cook Islands' forecast financial statements.

10.1. Statement of Compliance

These forecast financial statements have been prepared in accordance with the *Ministry of Finance and Economic Management (MFEM) Act 1995-96* and Generally Accepted Accounting Principles (GAAP), following the standards of the International Public Sector Accounting Standards Board (IPSASB). The IPSAS standards that the Government has yet to adopt are noted at the end of these accounting policies.

The use of public resources by the Government is primarily governed by the MFEM Act 1995-96.

10.2. Basis of Preparation

The forecast financial statements have been prepared on a going concern basis, with consistent application of accounting policies each year. They are based on historical cost, modified by the revaluation of certain assets and liabilities, and use the accrual basis of accounting, unless otherwise specified (e.g., the Statement of Cash Flows and Taxation Revenue).

The financial statements are presented in New Zealand dollars, rounded to the nearest million unless otherwise indicated.

10.3. Judgements and Estimations

The preparation of these forecast financial statements requires judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenue, and expenses.

Forecast new capital spending is an allocation in the budgets that reflects the anticipated impact of capital initiatives on the financial position and cash flows over the forecast period. Forecast new operating spending is an amount included in the budgets to account for the operating balance impact of policy initiatives, demographic changes, and other forecasting adjustments expected during the forecast period.

The estimates and assumptions underlying these forecasts are reviewed regularly. Revisions to accounting estimates are recognised in the period of the revision if they affect only that period or in both the current and future periods if they have a broader impact.

10.4. Basis of Consolidation

These forecast financial statements combine the following entities:

Crown Parent Crown entities (46)

Ministries (13)

- 1 Infrastructure Cook Islands
- 2 Ministry of Agriculture
- 3 Ministry of Cultural Development
- 4 Ministry of Education
- 5 Ministry of Finance and Economic Management
- 6 Ministry of Foreign Affairs & Immigration
- 7 Ministry of Health
- 8 Ministry of Internal Affairs and Social Services
- 9 Ministry of Justice
- 10 Ministry of Marine Resources
- 11 Ministry of Police
- 12 Ministry of Transport
- 13 Ministry of Corrective Services

Crown agencies and offices (16)

- 24 Business Trade and Investment Board
- 25 Cook Islands Tourism and Marketing Corporation
- 26 Cook Islands Seabed Mineral Authority
- 27 Crown Law Office
- 28 Development Coordination Division
- 29 Financial Services Development Authority
- 30 Financial Supervisory Commission
- 31 Head of State
- 32 National Environment Service
- 33 Office of the Public Expenditure Review Committee and Audit
- 34 Office of the Public Service Commissioner
- 35 Office of the Ombudsman
- 36 Office of the Prime Minister
- 37 Parliament of the Cook Islands
- 38 Competition Regulatory Authority
- 39 Cook Islands Investment Corporation

Subsidiaries of Cook Islands Investment Corporation

- 2 Ports Authority
- 3 Te Aponga Uira O Tumu Te Varovaro
- 4 Airport Authority
- 5 Cook Islands Broadcasting Corporation
- 6 CIIC Seabed Resources Limited
- 7 Cook Islands Government Property Corporation

Island administrations (10)

- 14 Atiu Island Administration
- 15 Aitutaki Island Administration
- 16 Mangaia Island Administration
- 17 Manihiki Island Administration
- 18 Mauke Island Administration
- 19 Mitiaro Island Administration
- 20 Palmerston Island Administration
- 21 Penrhyn Island Administration
- 22 Pukapuka Nassau Island Administration
- 23 Rakahanga Island Administration

Ministerial support (7)

- 40 Prime Minister's Support Office
- 41 Office of the Deputy Prime Minister
- 42 Office of the Leader of Opposition
- 43 Minister Support Office 1
- 44 Minister Support Office 2
- 45 Minister Support Office 3
- 46 Minister Support Office 4

Subsidiaries of Cook Islands Government Property Corporation

- 8 Banana Court Co Limited
- 9 Cook Islands Property Corporation
- 10 Bank of the Cook Islands Limited
- 11 Suwarrow Development Corporation
- 12 Development Finance limited
- 13 Cook Islands Telecommunication Holdings Limited
- 14 Aitutaki Power Supply Limited
- 15 To Tatou Vai Limited
- 16 Avaroa Cables Limited

The Government holds a full residual interest in all the above entities, except for Telecom Cook Islands Limited and CIIC Seabed Resources Limited.

Corresponding assets, liabilities, revenue and expenses, are consolidated line by line. Transactions and balances between these sub-entities are eliminated during consolidation. Where necessary, adjustments are made to the financial statements of controlled entities to align their accounting policies with those used by the Government reporting entity.

10.4.1. Associate

An associate is an entity over which the Crown has significant influence, but which is neither a subsidiary nor a joint venture interest. Investment in associates are recognised at cost, with the carrying amount adjusted to reflect the Crown's share of the associate's surplus or deficit after the acquisition date. When the Crown transacts with an associate, all surplus and deficits related to the Crown are eliminated. Distributions received from an associate reduce the carrying value of the investment in the Crown financial statements.

Telecom Cook Islands Limited, incorporated in the Cook Islands, provides telecommunication services within the Cook Islands. The Government's interest in Telecom Cook Islands Limited is held through Cook Islands Telecommunication Holdings Limited.

CIIC Seabed Resources Limited was established in 2018. Its principal activities include exploration, classification, exploitation, marketing and sale of polymetallic nodules within the Cook Islands Exclusive Economic Zone and the Cook Islands' assigned area within the Clarion Clipperton Zone. The company is jointly owned, with 50 per cent owned by the Cook Islands Investment Corporation and 50 per cent by GSR-CI Limited, a subsidiary of Global Sea Mineral Resources NV, which is incorporated and registered in Belgium.

10.5. Accounting treatment

10.5.1. Revenue

The Government provides many services and benefits that do not directly generate revenue. Additionally, payment of taxes does not entitle taxpayers to receive services or benefits of equivalent value; such revenue is received through the exercise of the Crown's sovereign power in Parliament.

Revenue is measured at the fair value of consideration received or receivable.

Revenue Type	Revenue Recognition Point
Source deductions	When an individual earns income that is subject to PAYE and payment has been received by the Revenue Management Division.
Individual Income Tax	Individual income tax is recognised when individual tax return forms are filed and payment has been received by the Revenue Management Division.
Company Income Tax	Company income tax is recognised when individual company tax return forms are filed and payment has been received by the Revenue Management Division.
Withholding Tax	Withholding tax is recognised upon payment being received by the Revenue Management Division
Value Added Tax	VAT is recognised when individual monthly VAT return forms are filed and payment has been received by the Revenue Management Division.
Customs levies	Customs levies are recognised upon payment being received by the Revenue Management Division.
Departure Tax	Departure tax is included in the cost of airfares charged by Airlines to its customers. Departure tax is recognised upon payment being received by the Revenue Management Division from the respective Airlines.
Other Revenue	When the obligation to pay is incurred.
ALL Tax	An exception to recognition upon receipt by the Revenue Management Division is an annual accrual for known over-due tax payments including those tax-payers who are on instalment arrangements. There is no provision made for bad debts against this accrual.

10.5.1.1. Revenue Earned Through Operations

Revenue from sales of goods and services is recognised when the product or service is sold to the customer.

10.5.1.2. Sales of goods and services

Revenue from the supply of goods and services to third parties is measured at the fair value of consideration received.

Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services is recognised on a straight-line basis over the specified service period unless an alternative pattern of recognition better represents the stage of completion of the transaction.

10.5.1.3. Rental revenue

Rental revenue is recognised in the Statement of Financial Performance on a straight-line basis over the lease term. Lease incentives granted are recognised evenly over the lease term as a reduction in total rental revenue.

10.5.1.4. Dividend revenue

Dividend revenue from investments is recognised when the Government's rights to receive payment as a shareholder has been established.

10.5.1.5. Interest income

Interest income is accrued using the effective interest rate method. This method discounts estimated future cash receipts over the expected life of the financial asset to determine the asset's net carrying amount. The effective interest rate is then applied to the principal outstanding to calculate interest income each period.

10.5.1.6. Aid revenue, aid expenses and aid liability

Aid revenue relates to funding received from development partners for specific programmes or projects. Funding received in advance is recorded as an aid liability and recognised as revenue when allowable costs – capital or non-capital – are incurred, and any conditions are met. If allowable costs have been incurred but funding has not yet been received, the Government recognises a receivable up to the amount of approved funding. Aid funding received without conditions is recognised as revenue immediately.

10.5.1.7. Donated assets

Where a physical asset is gifted or acquired by the Government for free or at a subsidised cost, the asset is recognised at its fair value. The difference between the consideration provided and the asset's fair value is recorded as aid revenue.

10.5.1.8. Fines

Fines represent economic benefits or services that the Government may receive from an individual or entity as a result of a court or other law enforcement body determining that the individual or entity has breached laws or regulations.

10.5.2. Expenses Recognition

Expenses are recognised in the Statement of Financial Performance on an accrual basis.

10.5.2.1. Personnel expenses

Personnel expenses are recognised on an accrual basis and include employer contributions for the Government superannuation scheme.

10.5.2.2. Welfare payments

Welfare benefits and entitlements are recognised as an expense in the period in which the payment is made.

10.5.2.3. Grants and subsidies

Where grants and subsidies are at the Government's discretion until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised once the specified criteria for the grant or subsidy have been met and notice has been given to the Government.

10.5.2.4. Operating lease

Operating leases, in which the lessor substantially retains the risks and rewards of ownership, are expensed systematically over the lease term. Leasehold improvements are capitalised, and their cost is amortised over the shorter of the unexpired lease period or the estimated useful life of the improvements. Lease incentives received are recognised evenly over the lease term as a reduction in rental expense.

10.5.2.5. Interest expense

Interest expense on financial liabilities measured at amortised cost is recognised in the Statement of Financial Performance as it accrues, using the effective interest method.

10.5.2.6. Borrowing costs

Borrowing costs are interest expenses calculated using the effective interest method are recognised as an expense in the period in which they are incurred.

10.5.2.7. Foreign currency transactions

Transactions in foreign currencies are translated into New Zealand dollar (NZD) using the exchange rate on the date of the transaction. Foreign-exchange gain and losses arising from these transactions are included in the Statement of Financial Performance.

Monetary assets and liabilities held at year-end are translated at the exchange rate on the reporting date.

10.5.2.8. Depreciation

Each significant part of an item of property, plant, equipment, or infrastructure asset, relative to the total cost of the item, shall be depreciated separately.

Depreciation of property, plant, equipment, and infrastructure assets is provided on a straight-line basis, allocating the cost of the assets over their estimated useful lives.

Typically, the estimated useful lives for various asset types are as follows:

Asset type	Useful life
Office and computer equipment	3 – 4 years
Motor vehicles	5 years
Furniture and fittings	4 – 10 years
Plant and equipment	5 – 15 years
Buildings and improvements	10 - 40 years
Coastal protection	25 years
Power distribution network	20 years
Road network	30 years
Water network	15 years
Airport runways	15 – 100 years
Harbour and ports structures	10 – 20 years
Waste management facilities	15 years
Plant and equipment Tools	4 – 5 years
Marine equipment	5 years
Leased land and leasehold improvements	Term of the lease
Specialised buildings and other buildings	15 years

10.5.3. Non-Financial Assets

10.5.3.1. Investment property

Investment property is property held either to earn rental income, for capital appreciation, or for both, but not for sale in the ordinary course of business, or for use in the production or supply of goods or services, or for administrative purposes. Investment property is initially measured at cost and subsequently at cost less accumulated depreciation.

Residential buildings held primarily for providing low-income housing are classified as property, plant, and equipment.

The cost of investment property includes expenditures directly attributable to its acquisition. For self-constructed investment property, the cost includes materials, direct labour, any other costs directly attributable to bringing the property to a working condition for its intended use, as well as capitalised borrowing costs.

Any gain or loss on the disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognised in the Statement of Financial Performance.

10.5.3.2. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation.

The cost of property, plant and equipment includes the value of the consideration given to acquire the assets, as well as other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended service.

For assets constructed by the Government, the cost includes all materials used in construction, direct labour on the project, financing costs that are directly attributable to the project, and an appropriate proportion of both variable and fixed overheads. Capitalisation of costs ceases as soon as the asset is ready for productive use, and inefficiency costs are excluded.

When an item of property, plant and equipment is disposed of, any gain or loss (calculated as disposal proceeds less carrying value) is recognised in the Statement of Financial Performance.

10.5.3.3. Impairment

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount, and an impairment loss is recognised in the Statement of Financial Performance.

10.5.3.4. Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, future economic benefits are probable and will flow to the Government and the cost of the item can be measured reliably.

10.5.3.5. Work in progress

Work in progress is recognised as cost less impairment and is not depreciated.

10.5.3.6. Infrastructure assets

Infrastructure assets are recorded at cost less accumulated depreciation and are accounted for in the same way as property, plant and equipment

Infrastructure assets include roads, water networks, power networks, coastal protection systems, harbour and ports structures, waste management facilities, and airports. When an infrastructure asset is disposed of, any gain or loss (calculated as the disposal proceeds less carrying value) is recognised in the Statement of Financial Performance.

10.5.3.7. Intangible assets

Intangible assets such as software acquisition costs, are recorded at cost less accumulated amortisation and accumulated impairment losses.

The cost of purchased intangible assets includes the value of the consideration given to acquire the assets, along with other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended use. Intangible assets may include databases, purchased software, or software developed in-house.

When an intangible asset is disposed of, any gain or loss (calculated as the disposal proceeds less carrying value) is recognised in the Statement of Financial Performance.

Amortisation of intangible assets is performed on a straight-line basis to allocate the cost of assets over their estimated useful lives, with any estimated residual value considered. Typically, the estimated useful lives are as follows:

Asset Type	Useful Life
Software, databases	3 - 5 years

10.5.3.8. Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost. When inventories are acquired at no cost or for nominal consideration, the cost is determined as the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

10.5.4. Financial Assets

10.5.4.1. Categories of Financial Assets

The Government does not hold any financial assets classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, or available-for-sale financial assets. The Government only holds financial assets classified as loans and receivables.

10.5.4.2. Recognition

Financial assets are initially measured at fair value, plus, for items not classified at fair value through profit or loss, any transactions costs are directly attributable to their acquisition or issue.

10.5.4.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition, as well as fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognised in the Statement of Financial Performance.

10.5.4.4. Cash and cash equivalents

Cash and cash equivalents include cash holdings, foreign currency cash holdings, short-term cash investments. They are carried at amortised cost in the Statement of Financial Position.

10.5.4.5. Term deposits

This comprises interest-bearing deposits held with other banks, which are measured at amortised cost in the Statement of Financial Position.

10.5.4.6. Trust accounts

Trust accounts contain funding that the Government has received with conditions attached regarding how the funding can be utilised. A corresponding liability is recognised upon the receipt of funding with conditions attached.

10.5.4.7. Banking portfolio investments (loans)

Within the Government, the Bank of the Cook Islands ("the Bank") issues loans. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not intended for immediate or near-term sale. They arise when the Bank provides funds to a debtor with no intention of trading the loans and advances. After initial recognition, the loans are measured at amortised cost using the effective interest method, less any impairment loss.

Loans include direct finance provided to customers, such as current accounts and term loans.

10.5.4.8. Debtors and other receivables

Receivables are initially recognised at fair value and are subsequently adjusted for penalties and interest as they are charged, as well as for impairment testing.

10.5.5. Identification and measurement of impairment

10.5.5.1. Banking portfolio investments (loans)

Refer to Note 2: Areas of significant estimation – Banking Portfolio Investments - Credit Provisioning (Bank of the Cook Islands).

10.5.5.2. Tax receivable

The Government has not undertaken an assessment of the recoverability of tax receivables. The assumption is that tax receivables are fully recoverable and free from impairment.

10.5.5.3. Other receivables

A receivable is considered uncollectable when there is evidence that the amount will not be fully recovered. The uncollectible amount is the difference between the amount due and the present value of the expected collection. The assessment of collectability is performed on an individual basis, based on past collection history and write-offs.

10.5.5.4. Derecognition of financial assets

Government derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or when it transfers the rights to receive the contractual cash flow in a transaction where substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Government is recognised as a separate asset or liability.

10.5.6. Categorisation of liabilities

All financial liabilities are classified as other financial liabilities.

10.5.6.1. Recognition

Financial liabilities are initially measured at fair value, plus transaction costs that are directly attributable to their acquisition or issue, for items that are not classified at fair value through surplus or deficit.

10.5.6.2. Other financial liabilities

Other financial liabilities and are subsequently measured at amortised cost using the effective interest rate and include creditors, other payables, and banking customer deposits.

10.5.6.3. Employee entitlements

Employee entitlements to salaries, wages, annual leave and other similar benefits are recognised as an expense in the Statement of Financial Performance when they accrue to employees. Entitlements expected to be settled within 12 months are reported at the amount expected to be paid.

10.5.6.4. Provisions

The Government recognises provisions when there is a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows to settle the obligation, its carrying amount is the present value of those cash flow.

10.5.6.5. Borrowings

Borrowing liabilities are accounted for at amortised cost in the Statement of Financial Position, with changes recognised in the Statement of Financial Performance. Borrowings, or the proportion expected to be settled within 12 months of balance date, are disclosed as current liabilities in the Statement of the Financial Position. All other borrowings are disclosed as non-current liabilities.

10.5.6.6. Pension liabilities

Pension liabilities, in respect of the contributory service of current and past Members of Parliament, are recorded at the latest actuarial value of the Government's liability for pension payments. The Government does not have any pension liabilities arising from its employees' membership in the New Zealand Government Superannuation Fund.

10.5.6.7. Other liabilities

All other liabilities are recorded based on the estimated obligation to pay. No liability for ongoing welfare payments is recognised because no legal entitlement exist beyond the end of the current financial year until a new Appropriation Act is passed. Such payments are provided for on a pro-rata basis in the Statement of Financial Position.

10.5.6.8. Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

10.5.7. Cash flow

A cash flow statement identifies the sources of cash inflows, the uses of cash, and the cash balance at the reporting date. It includes financing activities, which reflect changes in the size and composition of the Government's contributed capital and borrowings.

Investing activities involve the acquisition and disposal of long-term assets and other investments. Operating activities show the cash received from the Government's core operations.

Cash flow information helps users to understand how the Government raised the cash needed to fund its activities and how the cash was utilised.

Both the direct and indirect methods of cash flow have been applied in these financial statements.

10.5.8. Commitments

Commitments represent future expenses and liabilities arising from contracts entered into as of the balance date.

Commitments are classified as:

- Capital commitments: the total amount of capital expenditure contracted for but not yet paid or provided for at the balance date.
- Lease commitments: non-cancellable operating leases with a term exceeding one year.
- Interest commitments on debts, commitments for funding, inventory and those related to employment contracts are not separately reported as commitments.

10.5.9. Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are reported when the contingency becomes evident or when a present liability cannot be measured with sufficient reliability to be included in the financial statements (unquantifiable liability). Contingent liabilities, including unquantifiable liabilities, are disclosed if the likelihood of them crystallising is more than remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

10.5.10. Changes in accounting policies

The accounting policies are consistent with those applied in the preparation of the Government's annual financial statements for the year ended 30 June 2019.

Audit opinion on policies with which the Government has not complied (2019):

- IPSAS 3: Accounting Policies
- IPSAS 17: Property Plant and Equipment
- IPSAS 21: Impairment of Non-Cash Generating Assets
- IPSAS 29: Financial Instruments: Recognition and Measurement – Government elected not to comply due to cost considerations.

As of the preparation date of these forecast financial statements for the 2024/25 Half-Year Economic and Fiscal Update, the following IPSAS standards have not been applied:

- IPSAS 31: Intangible Assets (adopted January 2019).
- IPSAS 32: Service Concession Arrangements (adopted January 2022).
- IPSAS 34: Separate Financial Statements (adopted January 2019).
- IPSAS 35: Consolidated Financial Statements (adopted January 2019).
- IPSAS 36: Investment in Associates and Joint Ventures (adopted January 19).
- IPSAS 37: Joint Arrangements (adopted January 2019).
- IPSAS 38: Disclosure of Interest in Other Entities (adopted January 2020).
- IPSAS 39: Employee Benefits (adopted January 2019).
- IPSAS 40: Public Sector Combinations (adopted January 2021).
- IPSAS 41: Financial Instruments (adopted January 2022).
- IPSAS 42: Social Benefits (adopted January 2022).