



COOK ISLANDS INVESTMENT CORPORATION

Government of the Cook Islands

10 December 2020

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Ministry of Finance and Economic Management
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Kia orana Natalie

WRITTEN SUBMISSION ON THE DRAFT ECONOMIC DEVELOPMENT STRATEGY

Thank you for you for the opportunity to provide a written submission on the Draft Economic Strategy (EDS) released on the 24th of November 2020.

This submission has been prepared by the Cook Islands Investment Corporation (CIIC) in conjunction with our entities, endorsed by the CIIC Board, has been shared with our Minister, the Prime Minister the Honourable Mark Brown and is supported by entities across the CIIC Group.

CIIC is a statutory Corporation of the Cook Islands Government. CIIC was established in 1998 through the Cook Islands Investment Corporation Act 1998 to manage Crown assets including Government land, buildings and interests on Rarotonga and the Pa Enua (outer islands), and governance of Crown enterprises (subsidiaries, associates, SOEs and Crown Controlled Entities) on behalf of the Crown (including the Cook Islands Government Property Corporation, Airport Authority, Bank of the Cook Islands, CIIC Seabed Resources Ltd, Ports Authority, Te Aponga Uira, Te Mana Uira o Araura Ltd and To Tatou Vai Ltd).

General comments

- We believe the draft EDS is a very good document, thorough and well prepared by MFEM, and we would like to commend the team on a polished and comprehensive draft strategy.
- We would also like to commend the team on the thorough and robust process in developing the strategy, which as mentioned in the strategy, included extensive engagements and consultations with the public and key stakeholders
- We believe the document should be a fluid document, and do acknowledge that while the strategy is formally reviewed after 3 years, there is scope for initiatives and projects to be prioritised according to priorities at any given time.

A shared vision for 2030

- Working together: We commend reference in the strategy of Government, business, industry and the community working together. The strategy is light in detail how this can be achieved compared to the status quo and recommend there is a plan to ensure this element is a key factor on implementation.
- The role of Government: While it is implicit, there should be reference to the SOE sector in providing strategic infrastructure.

The Cook Islands and its economy

- Structure of the economy: The Government administration section should be re-labelled to include the SOE sector ie 'Government administration and state owned enterprises'.

Objective 1: Improving equity and access for all

- Shipping services: we welcome the focus on shipping services in the EDS (in relation to the Pa Enea) , though we do think the importance of having a well-run port operation in general, needs to be emphasised in the EDS, the use of technology and modern day port practices, maintaining and strengthening strategic international shipping alliances and improving infrastructure to allow for that trade channel to be effective for the business sector. Our Ports Authority have embarked on technology innovation for digitization transformation of the Ports container cargo operations in collaboration with shipping companies and shipping agents.
- Action 1.3: the lead agency CIIC will be undertaking this study in conjunction with INTAFF, and the indicative timing is 2021, and the implementation programme will continue for many years.
- Action 1.4: with the considerable IP of CIIC and CLO, we suggest these 2 agencies be added to the lead agency list. This will take a number of years from review to implementation, and suggest the indicative timing be 2021 – 2024.
- Action 1.8: the Pa Enea port access is broader than buoys and should include access and dredging, which forms part of CIIC's capital in the 2020/21 year in terms of the nation investing in dredging infrastructure, to be redeployed to Pa Enea, a programme which will be developed between CIIC and ICI, after the Aitutaki harbour dredging programme is complete in mid to late 2021.

Objective 2: Transforming our economy

- Competition and market efficiency: while we do not disagree with the commentary in this section, we feel that a little context needs to be articulated that some of the monopolies are state owned entities, whom are providing essential public services, in lieu of the private sector participating in those respective sectors.
- Procurement: we believe the inclusions of Private Public Partnerships (PPPs), a draft policy which was developed in 2019, would be a good addition to the procurement section, and is in line with the spirit of the EDS in terms of the public and private sector working together to create economic development. Obviously, any PPP would need to comply with a well thought out and developed PPP policy and protocols. We suggest this be assigned as a specific action in the EDS, in terms of adoption and implementation of a CIG PPP policy.
- Vaikapuangi: we welcome Vaikapuangi's inclusion in the EDS. We feel there needs to be more commentary on the significant economic stimulus this project will create, which will have a compounding positive impact to the wider construction sector. We feel being quite explicit that Government will make an investment decision in 2022 is not right (any project in the EDS is

obviously qualified in terms of access to funds to undertake the project which is specified specifically in the EDS, and CIIC is undertaking considerable work in defining), presumptuous and not in the interests of the project, and should be 2021.

- Fostering our creative and cultural industries: we are aware that there is an initiative to establish a film commission, and believe this emerging industry should feature in the EDS, in terms of an emerging industry which could be extended support, from the public and private sectors.
- Seabed mineral harvesting: we believe there should be some mention of the Cook Islands joint venture, CIIC Seabed Resources, in this section, the rationale and benefits (direct in terms of financial returns and indirect in terms of IP and knowhow shared) of this entity, not only in our EEZ, though also in our licensed area in international waters.
- Action 2.9: as stated above, we feel specifying a timeframe project dates on the Vaikapuangi project will be beneficial as an indicative timeline, ie 2021 – 2025, which is obviously qualified in terms of access to funds to undertake the project, which is outlined in the EDS.
- Action 2.13: we welcome the initiative of developing a coordinated approach to innovation, though believe this be considered ground up, we believe it may be a separate ministry or a division of an existing ministry.
- Demonstrating progress: internet; currently the EDS is suggesting internet cost and penetration as the only key measures, we suggest internet / comms reliability be also a measure, especially for Pa Enea services.

Objective 3: Developing our people and culture

- We believe strategic alliances are critical for this objective.

Objective 4: Investing in our islands

- Investing in essential infrastructure: we believe investing in resilient infrastructure is key, the investment in cyclone structures is key to be included in this narrative.
- Electricity: we believe there needs to be financial sustainability included in this narrative, we don't want utilities not charging enough, and bearing a large contingent or deferred costs some stage into the future.
- Water:
 - Access to Drinking water is paramount in a society. The benefits of having a reticulated supply of potable water will have positive impacts on the economy, health and reputation of Rarotonga.
 - Clean, potable water will assist Rarotonga in its improvement to the population's health, and economically, by allowing tourists to have confidence in the countries' ability to meet the standards of water supply commonly found in most tourists home countries.
 - To Tatou Vai will, and have commenced work to educated the people of Rarotonga in the conservation of water. There is no large scale reservoir in Rarotonga currently, to supply water. Water is naturally stored in the ground water of the Catchments. Although TMV has some storage capacity in storage tanks, these are not sufficient for long term storage. As a consequence, TTV will be instrumental in the education to save water by reducing consumption by demonstrating water conservation methods. On average it is reported that in Rarotonga the average consumption of water is over twice that of Melbourne. The result may be skewed as the amount of Tourists in Rarotonga is proportionally higher, and to service a tourism industry more water is used, in washing, pools, cooking and guests washing.

- It was anticipated that an extension of the TMV project was it was to extend to Aitutaki, which the report does not address and was the key infrastructure issue for Aitutaki residents, during the EDS consultations in Arutanga. We suggest that this be a separate action under objective 4 in terms of scoping this matter.
- Access to finance: we welcome the many initiatives under this umbrella. Our SOE BCI, is the only provider of services across the nation and has a raft of initiatives to promote economic activity, some in the ideation stages, including a Domestic Trade Finance facility which is centered on partnering Rarotonga based wholesalers with Pa Enea producers/vendors in selling produce to Rarotonga. We suggest the importance of maintaining and strengthening banking services across the nation and associated initiatives be included in the EDS, to provide much needed banking support to strengthening business including Pa Enea trade.

Objective 5: Greening our economy

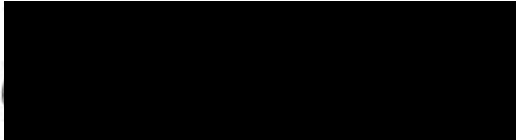
- Improving our eco-efficiency: we advocate for large business to be encouraged to monitor their carbon footprint. A good example of this is from our Ports Authority who completed its first carbon emission report for Avatiu Ports with Green House Gas Emission (GHG) totaling 117.27 tonnes. Through efficiency improvements and solar light installations, GHG has reduced to 99.27 tonnes in year end 30 June 2019 and 2020 FY draft report just received and under review totaling 83.73 tonnes.
- Access to affordable clean energy: we believe there should be mention of a key role TAU, Rarotonga's electricity utility can play in terms of supporting Pa Enea electricity and supply, a role they have started to play, to ensure the Pa Enea infrastructure is well operated and maintained.
- Water cycle management: please refer to above comment regarding Aitutaki water.
- Economic disaster recovery: CIIC has conducted a feasibility on establishing an insurance captive (for its own insurance arrangements and with the potential for this to be extended more broadly, which will provide a more robust insurance coverage for Crown assets) which was shared with MFEM and our Minister. We intend to establish this Captive in 2021 and believe this should feature in the text around resilience and as a separate action.
- Solid waste management: there has been dialogue in the past in regards to incineration as an option to address or partly thereof solid waste disposal. We believe this needs to be scoped, though put in the plan, as an option to potentially explore.
- Action 5.2: should include TAU and CIIC as agencies involved to lead, in addition to the agencies listed.
- Action 5.3: should include TMU as agency involved to lead, in addition to the agency listed and should have indicative timing as 2022, as the feasibility is near completion, and grant funding options are being explored.
- Action 5.5: should include CIIC as agency involved to lead, in addition to the agency listed.

We would like to thank you for receiving our submission and please do not hesitate if you would like us to elaborate on any points in our submission.

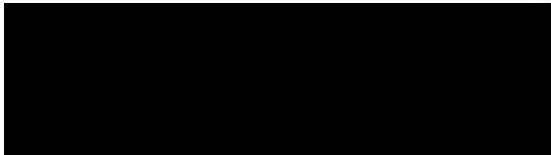
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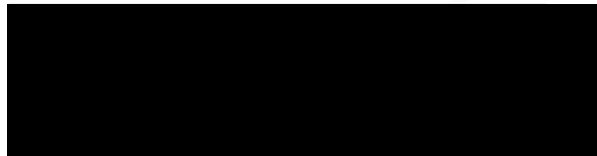
Michael Henry, Chairperson
On behalf of the Cook Islands Investment Corporation



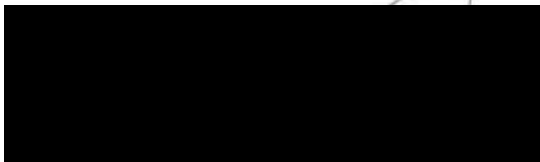
Taoro Brown, Chairperson
On behalf of the Airport Authority



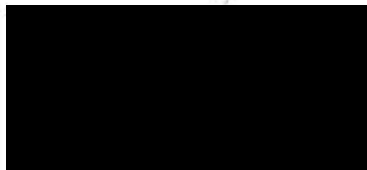
Tatiana Burn, Chairperson
On behalf of the Avaroa Cable



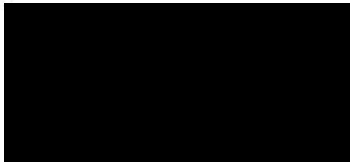
Jeanne Matenga-Isamaela, Chairperson
On behalf of the Bank of the Cook Islands



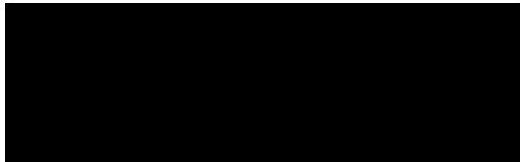
Michael Henry, Director
On behalf of the CIIC Seabed Resources



Sam Crocombe, Chairperson
On behalf of the Ports Authority

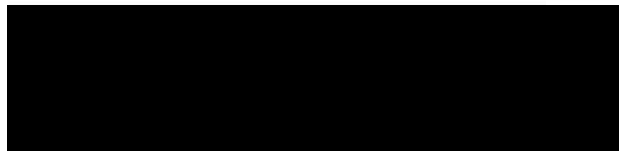


Mata Nooroa, Chairperson
On behalf of the Te Aponga Uira



John Baxter, Chairperson
On behalf of the Te Mana Uira o Araura

Brian Mason, Chairperson
On behalf of the To Tatou Vai



Allan Jensen, Chief Executive Officer
Cook Islands Investment Corporation

Cc: CIIC Board
Minister responsible for CIIC
Secretary of Finance
CIIC Management Team
CIIC Group CEOs
CIIC Group Chairs