



THE BUDGET OF REVIVAL 2021/22 Budget Citizen Guide

'AKAPA'ANGA MONI NO TE 'AKA'ORA – 'Akamarama'anga nā te katoatoa nō te 'Akapapa'anga moni 2021/22

The 2021/22 Budget is the third budget since the introduction of the Medium-term Fiscal Strategy (MTFS) in 2019/20. It confirms the Cook Islands Government's commitment to sound fiscal and economic management within the context of the ongoing severe economic shock from COVID-19.

Kō te 'akapapa'anga moni 2021/22 kō te toru tēia ō te 'akapapa'anga moni mei te tuātau i 'akatomo'ia mai te Kavēinga ō te Moni Tuātau tūpoto (MTFS) i te mata'iti 2019/20. Kō te 'akapāpū teia i te papau'anga ā te Kavamani kia mātutu te tūranga ō te moni e te 'akaterere'anga kimi puāpinga i teia tuātau pāpūkore tei tupu mei roto mai i te Koviti – 19.

ECONOMIC AND FISCAL UPDATE - NUTI OU NŌ TE MONI E TE KIMI PUĀPINGA

Compared to 2019/20, the impact of COVID-19 on the Cook Islands' economy has been severe in 2020/21 due to border restrictions halting tourism and affecting both retail and accommodation-oriented businesses.

With no tourists until May 2021 and reduced activity, nominal gross domestic product (GDP) for 2020/21 is estimated to have fallen by -21.6% at year-end (to approximately \$396.5 million). The total cumulative fall in GDP across the 15 months since March 2020 is -28.4%.

The economic outlook for 2021/22 onwards will depend on the speed at which tourists begin to return to the Cook Islands. Conservative assumptions have been used in developing the Government's economic forecasts, influencing the expected growth of both GDP and taxation revenue.

A fiscal deficit of \$61.1 million is forecast for 2021/22, and are projected across the medium-term, with gradual improvements expected year-on-year as revenues begin to recover and Government's additional expenditures for private sector support and economic stimulus decrease. As the fiscal balance improves, the amount of external financing required reduces.

Net Debt to GDP, which is the Government's 'fiscal anchor' or primary fiscal rule, measures the overall level of debt taken on by Government relative to national income.

The graph shows the impact of GDP relative to Government's net debt against the soft and hard debt cap limits across the medium-term. The fall in GDP in 2020/21 has resulted in the need for Government to take on more debt to supplement Government revenues, resulting in a net debt to GDP ratio of 48.9% in 2021/22. As GDP recovers from 2021/22 onwards, the net debt to GDP ratio is forecast to reduce to 30.3% by 2024/25.

I te tuātau 2019/20, ko te 'akau'anga ō te Koviti-19 kī runga i te tūanga kimi puāpinga ō te Kuki Airani kua kino rava te reira i te mataiti 2020/21 nō te mea kua tōpiri'ia tō tātou kena bāsileia e kua tāpū te reira i te tūanga ō te pae Tūroto nā roto i te iri'anga teia kino ki runga i te au pītīniti oko'oko e te au ngāi no'o'anga.

Kua topa kino te katoa'anga ō te puāpinga bāsileia (GDP) nō te mataiti 2020/21 e -21.6% i te open-ga mata'iti (tamanako'anga \$396.5 mirioni) nō te kāre ē tūroto, tae rōa mai kia Me 2021, perā te 'aka'iti'anga i te au 'anga'anga. Kō te katoa ō te 'akapapa'anga i te Puāpinga Bāsileia mei te 15 marama mei ā Māti 2020 e -28.4%.

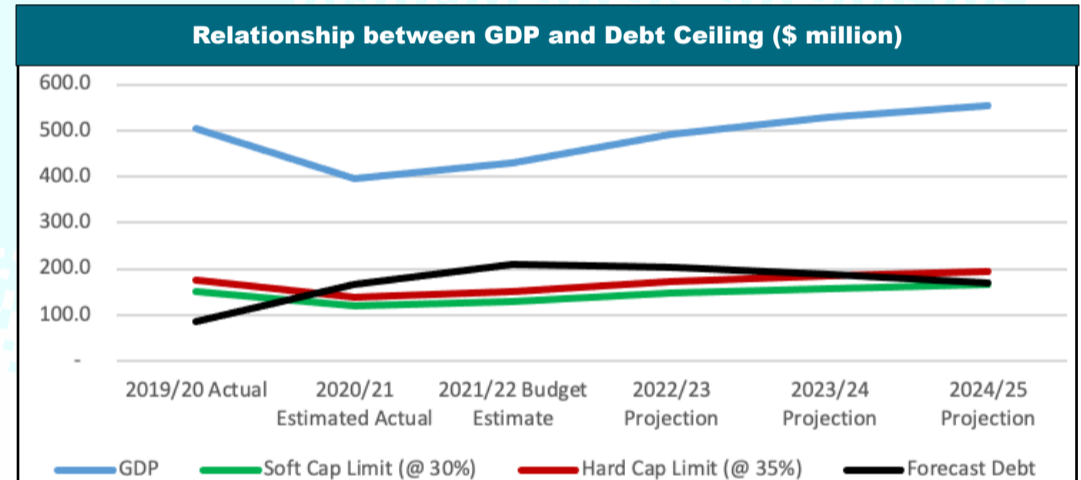
Me 'akara mamao'ia te kimi puāpinga nō 2021/22 aere atu ki mua, ka irinaki te reira ki runga i te viviki ō te oki'anga mai ō te tūroto ki te Kuki Airani. E au tāmānako'anga marū tei tā'anga'anga'ia ei 'anga i te au ākara mamao'anga kimi puāpinga ā te Kavamani, tei riro ei 'akatano i te tupu'anga tei 'akakoro'ia nō te puāpinga bāsileia e te moni koikoi mei roto mai i te tero.

Me ākara mamao'ia kā topa te moni ā te bāsileia mei tētai \$61.1 mirioni nō te mataiti 2021/22, e ka 'akatoro'ia ki te tūātau tūpoto, tōpiri atu teia ki tētai au 'akameitaki'anga mei tētai mataiti ki tētai me 'akamata te moni koikoi i te 'oki mai, e te topa'anga ō te akapou'anga moni ā te Kavamani nō te tūanga takake e te aka-taka'anga o te kimi puāpinga. Me meitaki te turanga o te moni, ka iti mai te moni ka anoano'ia mei te akau roa.

'Akakai'ou tero'ia 'aka'aite'ite ki te Puāpinga Bāsileia, kō te 'tūtau ō te moni' teia ā te Kavamani me kāre kō te ture tuatai nō te moni, ka vāito i te au rēvera katoatoa ō te 'akakaiou'anga ā te Kavamani 'aka'aiteite atu ki te moni koikoi ā te Īpukarea

Ko te karāpu te akaairi mai nei i te 'akau'anga te puāpinga bāsileia 'aka'aiteite'ia ki te 'akakai'ou tero'ia ā te Kavamani ki te 'akakai'ou'anga marū e te pakari 'akatoro atu ki te tūātau tūpoto. Ko te tōpa'anga ō te Puāpinga bāsileia i te mataiti 2020/21 kua riro te reira ei 'akau'anga i te Kavamani kia 'akama'ata i tāna moni 'akakai'ou kia 'akameitaki i te moni koikoi ā te Kavamani, riro atu tēia ei 'akakai'ou tero'ia ki te Puāpinga bāsileia mei tētai 48.9% i te mataiti 2021/22. Me 'oki 'aka'ou mai te tūranga Puāpinga bāsileia mei te mataiti 2021/22 aere atu ki mua, kō te ma'ata ō te 'akakai'ou tero'ia ki te puāpinga bāsileia kua tāmānako'ia e kā iti mai ki te 30.3% i te mataiti 2024/25.

	2019/20 Actual	2020/21 Estimated Actual	2021/22 Budget Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Nominal Gross Domestic Product (GDP) (\$m)	505.5	396.5	431.3	492.0	528.0	555.5
Total Operating Revenue (\$m)	195.8	154.0	162.3	163.9	180.9	187.6
Total Operating Expenditure (\$m)	180.6	232.3	205.4	172.9	173.8	172.0
Operating Balance (\$m)	15.3	-78.2	-43.0	-9.0	7.1	15.5
Capital Expenditure (\$m)	38.9	40.0	32.0	33.5	33.9	33.7
Fiscal Balance (\$m)	-14.5	-105.5	-61.1	-28.6	-12.9	-4.2
Percentage of GDP (%)	-2.9	-26.6	-14.2	-5.8	-2.4	-0.8
Net Debt (\$m)	86.3	166.2	211.1	202.9	188.1	168.5
Net Debt to GDP (%)	17.7	41.9	48.9	41.2	35.6	30.3



FISCAL RESPONSE - RĀVENGA TAUTURU NĀ TE MONI

With reduced Government revenues and increased expenditure, in conjunction with the ongoing need to maintain increased expenditure for economic stimulus, the 2021/22 budget has taken the following approach:

- Government departments will continue to focus on core services, with minimal new work programmes that are funded from the existing expenditure ceiling.
- The continued deferral of the Government-wide salary adjustments
- The continued departure from the fiscal rules to allow Government to utilise debt funding to provide stimulus to support the Cook Islands economy.
- Supplement Government revenues with further debt financing. This is planned at \$55.0 million in 2021/22.
- The Economic Recovery Roadmap which will provide for further economic response measures if needed, and implement policy measures designed to support economic recovery.
- Capital investment to offset a decrease in private sector investment.

Mei te mea e kua iti te moni koikoi ā te Kavamani e kua ma'ata te 'akapou'anga moni pēra kua tōpiri'ia mai te au anoano kia 'akama'ata'ia te 'akapou'anga moni nō te aka-taka i te kimi puāpinga, ko tēia te au takai'anga i roto i te 'akapapa'anga moni 2021/22

- Kā rave uātu rai te au Tīpātīmāni Kavamani i tā rātou au 'anga'anga tumu, ma te 'akaiti mai i te au pōrōkarāmu te ka tūtaki'ia mei roto mai i tā rātou au 'akapou'anga
- Kā tuku ia atu i te 'akatano'anga i te au moni ā te aronga 'anga'anga Kavamani
- Kā 'akaruke'ia te au ture nō te moni kia rauka i te Kavamani i te tā'anga'anga i te 'akakai'ou'anga moni kia turu i te aka-taka'anga ō te tūanga kimi puāpinga ō te Kuki Airani
- 'Akarava te moni koikoi ā te Kavamani ki tētai au moni 'akakai'ou. Kua pāranī'ia tēia e \$55.0 mirioni nō te mataiti 2021/22
- Kō te Aranui 'akamātūtū i te kimi puāpinga kā ōronga i tēta'i vāito'anga rāvenga tauturu nō te kimi puāpinga me kā inangaro'ia, e tēta'i au ture akanoonoo te ka anga'ia ei turu i te akaora akaou'anga i te kimi puāpinga
- 'Akaputu'anga apinga 'anga'anga kia 'akatano i te 'akaiti'anga tei tupu i roto i te 'akaputu'anga tūanga takake

ECONOMIC RECOVERY ROADMAP - ARANUI NŌ TE 'AKAMĀTŪTŪ I TE KIMI PUĀPINGA

Transitioning from an economic response towards economic recovery is a key focus for the 2021/22 Budget, in addition to providing ongoing support to households and businesses to manage the economic impacts of COVID-19. Through the Economic Recovery Roadmap (ERR), eight focus areas will be key drivers behind sustainable economic recovery.

- Reducing the cost of borrowing – to increase the opportunity for businesses to expand, diversify and take opportunities.
- Managing the burden of public debt – in particular interest rates, to maintain sustainable service levels of public debt.
- Infrastructure investment – to boost the economy, creating jobs and income for Cook Islanders
- Reducing barriers to competition and business – to encourage more business activity
- Productivity growth – to improve the capacity and ability of both the public and private sector
- Improving public sector efficiency – to free up resources to be directed to other priorities
- Growing the labour force and mitigating depopulation – to ensure the economy has the skills and population required to generate economic activity and income
- Attracting foreign investment that will benefit the Cook Islands – to allow the economy to grow and potentially open up to new industries and markets

Kō te karere nui ō te 'akapapa'anga moni 2021/21 kōia kō te 'akaruri'anga mai mei te rāvenga tauturu kimi puāpinga ki te 'akamātūtū'anga i te kimi puāpinga, pēra te tauturu i te au ngutuare e te pītīniti kia 'akaterere i te au 'akau'anga ki te kimi puāpinga o te Koviti-19. E varu tūanga nui te kā riro ei 'aka'oro i te 'akamātūtū'anga tau ō te kimi puāpinga tei tātā'ia ki roto i te aranui 'akamātūtū kimi puāpinga.

- 'Aka'iti i te tūtaki ō te tarau moni – kia 'akama'ata'ia te au atī'anga nō te au pītīniti kia tupu, 'akatūke e kia tomo ki roto i te au atī'anga ōronga'ia.
- 'Akaterere'anga i te apainga ō te kaiou ā te katoatoa – mei te au tero 'akauta, kia rauka te tūtaki'anga tau nō te au kaiou ā te katoatoa
- 'Akaputu'anga no te apinga 'anga'anga – Amani i tetai au anga'anga e te kimi moni na te iti tangata kia matutu te kimi puāpinga
- 'Akaiti i te au ārai ki te emo'anga e te pītīniti – 'akamāro'iro' i te au 'anga'anga pītīniti
- 'Akatupu'anga puāpinga – 'akameitaki i te tūranga e te māroiroi ō te tūanga ō te katoatoa pera to te tuanga muna
- 'Akameitaki i te karape ō te tūanga ō te katoatoa – 'akaneke i te au pākau turuturu tei vā ki tēta'i au ngāi puāpinga
- 'Akatupu'anga i te puna aronga 'anga'anga ei tūpau i te aronga i akaruke te Īpukarea – kia vai rai te karape ē te tangata kia 'akatupu i tēta'i au 'anga'anga kimi puāpinga ē te kimi moni
- 'Akatupu i te 'akaputu'anga pōrena te ka puāpinga ki tō tātou bāsileia – 'akatika i te tūanga kimi puāpinga kia tupu e kia ruperupe te reira mā te 'akatū'era atu ki tēta'i au māketete e te kimikimi'anga ōu



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REVENUE AND SPENDING - MONI KOI E TE TŪTAKI'ANGA

Total Crown revenue (including Official Development Assistance (ODA) grants) for 2021/22 is expected to be \$216.1 million, and total expenses (including ODA expenditure) are expected to be \$291.2 million..

Where Revenue Comes From (2021/22)		
Taxation	49.7%	\$107.3m
ODA Grants*	24.9%	\$53.8m
General Budget Support	13.9%	\$30.0m
Other Revenue**	8.0%	\$17.2m
Core Sector Support	3.6%	\$7.8m
Total		\$216.1m

* Grant funding received from development partners is typically overstated, as individual amounts may not be finalised for expenditure during the year, but are subject to provisional agreement at the time of budget.

** Other revenue comprises of fishing revenues, motor vehicle registration, immigration fees, fines and permits.

Te katoa'anga moni koikoi ā te Kavamani (kāpipiti mai te moni tauturu mei te au bāsileia nunui (ODA)) nō te mataiti 2021/22, kua tāmānako'ia e \$216.1 mirioni, e tē katoa'anga o te 'akapou'anga moni (kāpipiti mai te 'akapou'anga (ODA)) kā taeria tētai \$291.2 mirioni.

Where Taxpayer's Money is Spent (2021/22)		
Economic Affairs*	38.5%	\$112.2m
General Public Services	23.1%	\$67.2m
Health	9.5%	\$27.7m
Social Protection	8.7%	\$25.3m
Housing and Community Amenities	7.4%	\$21.6m
Education	7.0%	\$20.5m
Other Expenditure***	5.7%	\$16.7m
Total		\$291.2m

*Economic affairs accounts for expenditure related to agriculture, marine, construction, transportation, tourism and general economic affairs like the Economic Recovery Roadmap.

**General public services includes administrative and finance functions of Government.

***Other Expenditure includes costs associated towards public order and safety, environmental protection, recreation, culture and religion.

REVENUE FORECASTS - 'ĀKARA MAMĀO NŌ TE MONI KOI

For 2020/21, total taxation revenue is estimated at \$86.0 million, just 58.0% of 2019/20 (\$148.3 million) and 54.1% of the 2018/19 pre-COVID levels (\$159.1 million). Budget support funding, primarily from the New Zealand Government of \$35.1 million in 2020/21 provided significant assistance for the ERP.

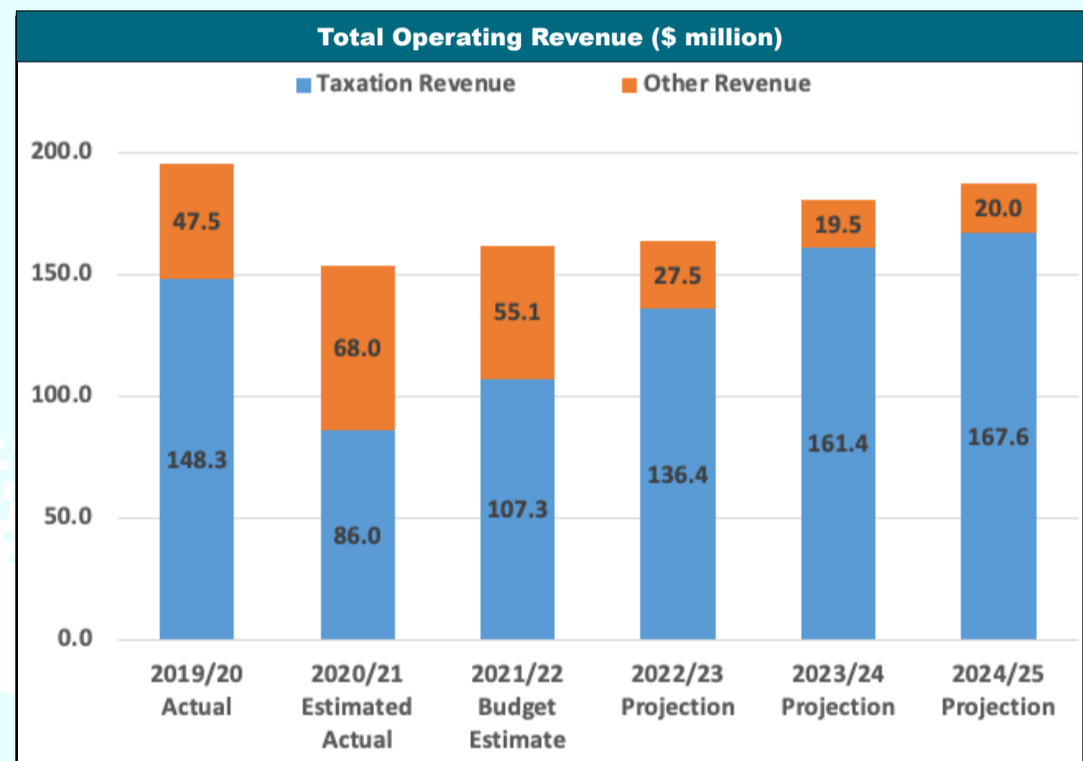
The recovery in Government revenues is driven by growth in taxation revenues over the medium-term, with forecasts indicating that total tax revenue will grow to \$107.3 million in 2021/22, with moderate growth in tourism, and is expected to return to pre-COVID levels in 2023/24 before stabilising.

Other Revenue is forecast to decrease to \$55.1 million in 2021/22, falling to \$19.5 million in 2023/24 as the current Core Sector Support programme ends.

Kō te moni koi nō roto mai i te tero nō te mataiti 2020/21, kua tāmānako'ia e \$86.0 mirioni, e 58% patene ō te 2019/20 (\$148.3 mirioni) pēra e 54.1% o te moni tei rauka mai i mua te tūātau ō te KOVITI (\$159.1 mirioni). Kō te tauturu ā te Kavamani Aotearoa ki tā tātou 'Akapapa'anga moni e \$35.1 mirioni i te mataiti 2020/21 e kua riro tē reira ei tauturu ma'ata nō te 'Akapapa'anga moni nō te 'Aka'ora mai i te tūanga kimi pūāpinga.

Ka riro te moni koi no roto i te tero i te tūātau tūpoto ei 'aka'oro i te 'akaora'anga i te moni koi ā te Kavamani, me 'ākara mamāo'ia, ka ma'ata atu te au moni koi ki te \$107.3 mirioni i te mataiti 2021/22, ka marū te tupu'anga o te pae Tūroto, e ka 'oki ki tōna tūranga i mua ake te KOVITI e ka no'o meitaki aia i te ngā mataiti 2023/24.

Me 'ākara mamāo'ia te moni koi, kā tōpa te reira e \$55.1 mirioni i te mataiti 2021/22, e kā topa 'aka'ou ki te \$19.5 mirioni i nāa mataiti 2023/24 me 'aka'oti te au pōrōkarāmu tauturu i te au tūanga



EXPENDITURE MEASURES - RĀVENGA TAUTURU I TE 'AKAPOU'ANGA MONI

Key expenditure measures in the 2021/22 Budget include:

- Economic Recovery Roadmap - \$33.5 million – to support a sustainable recovery from the economic shock of COVID-19
- COVID-19 Medical Response Fund - \$4.4 million (\$3.0 million operating; \$1.4 million capital) – to minimise the potential for COVID-19 to enter the Cook Islands and to respond effectively should a case arrive.
- Road and Drainages - \$34.7 million across the medium-term – for safe and efficient transportation
- Pa Enea airport upgrades - \$11.9 million across the medium-term – for improved accessibility
- Water and sanitation - \$38.3 million across the medium-term – to effectively manage Rarotonga's water network through To Tatou Vai Limited and management of wastewater, sewage and sanitation through the Mei Te Vai Ki Te Vai program
- Continued deferral of Government salary increases - \$6.0 million – reprioritisation of funds to support Government operations and economic recovery measures

Kō te au rāvenga tauturu i te 'akapou'anga moni i te 'Akapapa'anga moni 2021/22 kōia:

- Aranui nō te 'Akamātūtū i te Kimi Pūāpinga - \$33.5 mirioni – ei tauturu i te 'akamātūtū'anga i te bāsileia mei te 'akapōitirere'anga ō te KOVITI – 19 i te kimi pūāpinga
- Pute moni no te au rāvenga rapakau i te KOVITI-19 - \$4.4 mirioni (\$3.0 mirioni no te angaanga; \$1.4 mirioni no te apinga angaanga) – Kia Akaiti i te atī'anga o te KOVITI-19 kia tomo mai ki roto i to tātou bāsileia e kia rauka tēta'i au rapakau'anga meitaki me tae mai teia maki
- Mataara ē te au ara vai - \$34.7 mirioni nō te tūātau tūpoto– kia meitaki e kia mātūtū te tūranga ō te apinga 'aka'oro
- 'Akameitaki i te au Tau Manu Reva ō te Pā Enea - \$11.9 mirioni nō te tūātau tūpoto – te au ara kia 'akameitaki'ia
- Te Repo tangata e te Vai - \$38.3 mirioni nō te tūātau tūpoto– Kia rauka i Tō Tātou Vai i te 'akaterere meitaki i te au paipa vai ō Rarotonga ē tē pōrōkarāmu Vai ki te Te Vai kia 'akaterere meitaki i te au paipa nō te vai repo pērā te repo tangata e te au repo tūketūke.
- Kia vao ia atu te 'akakake'anga moni ā te aranga 'anga'anga Kavamani - \$6.0 mirioni – Kia 'akata-no'ia te 'akapou'anga moni ā te Kavamani ei turu i te au 'anga'anga 'akamātūtū i te kimi pūāpinga

CAPITAL INVESTMENTS - AKAPUTU'ANGA APINGA 'ANGA'ANGA

- Nassau Harbour (ICI) – \$3.4 million – to design and construct a robust and durable harbour for Nassau Island
- Manihiki Airport (ICI) – \$5.5 million – for the safe and efficient movement of aircrafts and passengers
- Road Assets (ICI) – \$7.0 million – to improve and maintain the road network
- Upgrade the Empire Bridge (ICI) – \$3.2 million – for improved public safety and road access
- Refurbishment of Government Buildings on Rarotonga, Mangaia, Rakahanga (CIIC) – \$3.2 million – to construct, repair, maintain and improve Government buildings.
- Revenue Management System Upgrade (MFEM) – \$1.8 million – to update the licensed software
- Upgrade Government IT network (OPM) – \$1.6 million – to improve, maintain and centralise the Government network for efficient Government services
- Installation of streetlights for Mauke and Mitiaro (OPM) – \$0.3 million – coincides with the road-works being undertaken on each island

- Ava ō Nassau (ICI) – \$3.4 mirioni – kia'anga e kia 'akatū i tēta'i ava ketaketa ē te mātūtū nō te enua kō Nassau
- Tau manu reva nō Manihiki (ICI) – \$5.5 mirioni – kia meitaki e kia mako te teretere'anga ō te au pāirere perā te au pātete
- Au tango pūāpinga nō te mataara (ICI) – \$7.0 mirioni – kia 'akameitaki ē kia vai mānea te au rārā ātuitui ō te mataara
- 'Akameitaki i te ana Empire (ICI) – \$3.2 mirioni – kia meitaki nō te au pereō 'aka'oro ō te katoatoa
- 'Akamānea i te au are Kavamani i runga ia Rarotonga, Mangaia, Rakahanga (CIIC) – \$3.2 mirioni – kia 'akatū, kia ma'ani, kia vai mānea e kia 'akameitaki ia te au are ō te Kavamani
- 'Akameitaki i te 'akateretere'anga roro ū'ira nō te tūanga Moni Koikoi (MFEM) – \$1.8 mirioni – kia 'aka'ou te pe'apa tika'anga ō te au pōrōkarāmu roro ū'ira
- 'Akameitaki i te au rārā ātui roro ū'ira ā te Kavamani (OPM) – \$1.6 mirioni – kia 'akameitaki, kia vai meitaki e kia no'o te tika'anga ō te au rārā ātui ū'ira ā te Kavamani ki te ngāi 'okotai kia viviki te reira
- 'Āmani i te au mōri aranui nō Mauke ē Mitiaro (OPM) – \$0.3 mirioni – ka aere kāpipiti teia ki te au 'anga'anga nō runga i te mataara te ka rave'ia ki runga i teia ngā enua