



## **Minister of Finance – Hon. Mark Brown**

### **2018/19 Supplementary Budget Speech**

Madam Speaker, today I want to highlight the continuing and significant progress this government has made towards growth and prosperity. A lot of hard work, putting in place sound economic and financial management has enabled us to achieve sustainable levels of fiscal stability. Why does this matter you may ask. It matters because it allows us to improve the lives of our people and sets up the economy for our future generations. Attaining and sustaining fiscal stability, economic growth and prosperity must become the common goal and responsibility of all.

Madam Speaker, as Deputy Prime Minister and Minister of Finance, I am tabling the Amendment Appropriation Bill 2019, otherwise known as the Supplementary Budget. I present this amendment bill with pride and confidence, as it expands our financial support to key areas of importance to our people. On the economic front, I can report that in the year to June 2018, the most recent full year for which data is available, the Cook Islands economy grew by 9 per cent, in real terms. To put this performance in context, it is more than double the International Monetary Fund's global economic growth estimate of about 4 per cent for 2018. It is also higher than the IMF's estimate of Chinese economic growth for that year, about 7 per cent.

This robust economic result is not an anomaly, but continues on as an uninterrupted run of positive growth from 2014. This has put the Cook Islands on track to be classified as a high income country by the Organisation for Economic Co-operation and Development, most likely from January 2020.

As evident today, tourism remains the key driver of our economy. Since July 2018 to January 2019, visitor arrivals in the Cook Islands reached 169,000, 5 per cent

more than the 161,000 visitors recorded in the previous year. On the back of strong tourism growth, other industry sectors such as retail and construction have also been performing well. Construction activity has had an additional boost from the wide range of Government infrastructure projects across the Cook Islands.

The strong economy is generating a consistent stream of revenue, which the Government is handling responsibly by closely managing growth in government expenditure. This is reflected in the Medium-term Fiscal Framework launched by the Government in December 2018, and currently being implemented in the 2019/20 budget cycle. Madam Speaker, for the first time ever, the Ministry of Finance has strategically included Estimates of Expenditure for the coming financial year (2019/20) and following three fiscal years: 2020/21, 2021/22, 2022/23. These forward estimates are aligned to the medium-term expenditure ceilings as reflected in the Fiscal Framework. Although these forward estimates are only indicative and not voted by Parliament yet, they represent a critical step forward in our ability to help business and government agencies with their long term planning and to signal our continued fiscal discipline to our people, our communities and development partners. In addition, towards the second half of this calendar year the Ministry of Finance and Economic Management will work together with the community and our key stake holders on the development of an Economic Development Strategy. This work together with our Medium Term Fiscal Framework will ensure that our good fortune is invested wise, distributed fairly and not squandered.

Madam Speaker, there is no need to rely on my assessment of the Cook Islands economic and fiscal position.

The Asian Development Bank's December 2018 Pacific Economic Monitor had forecast real economic growth of 6 per cent for the Cook Islands in 2019. Thus making the Cook Islands the highest of all the Pacific Island nations by some margin.

In February this year, Standard and Poor's, the premier global credit ratings agency, affirmed the Cook Islands current B+/B credit rating, which indicates that

we have the capacity to meet our financial obligations. The S&P report commented positively on our solid fiscal performance and low debt levels.

As a further measure of international scrutiny, we have invited a team of economists from the IMF – who are in country this week – to undertake an Article IV-type assessment. This is an economic and financial health check, to determine whether our economic and financial policies are conducive to orderly economic growth and price stability. I look forward to reporting back on the IMF's findings Madam Speaker. Madam Speaker this government welcomes these independent reviews to provide additional reassurances to our people that this government is making the right decisions, and the right investments.

### **Expenditure**

Madam Speaker, as we continue to grow and sustain our economy, we must not forget the little things we must continue to support. As you may be aware madam speaker, article 70(3)(b) allows additional funding to be allocated, but not to exceed a 1.5 percent of that total amount of all sums appropriated by the Appropriation Act. As of March 31 2019, a total of **\$3.2 million** of executive order approvals were granted under this article and since we are such a transparent government, included in the supplementary book are details of expenditures this government has approved. To mention a few:

- **Sheraton Foreshore Protection - \$239,100**

In this time of climate change and sea level rise, coastal erosion is a new and major issue. In May 2018 a study was commissioned to review the erosion of foreshore in Vaimaanga near the old Sheraton Hotel site and develop a remediation project. This was not funded in the current budget however with the increasing and more intense rainfall and high seas, and subsequent damage to the existing rock wall protection, this was immediately identified as high risk project that required urgent mitigation. Today madam speaker, this remedial work that costed **\$239,100** has strengthened the main road in Vaimaanga and we have prevented this particular stretch from collapsing.

- **Atiu Road Improvement - \$704,597**

Madam Speaker continuing the efforts in developing our infrastructure which is crucial to our growth agenda, we also recognise the need in the Pa Enuu. Following the well-received work done in Aitutaki for the sealing of their roads, **\$704,597** was attributed to commence the sealing of the road in Atiu. These expenditures reflect the significant and substantive focus of this Government to ensure that better roads are built and maintained for all our people.

- Atiu Power Upgrade - \$220,000

Madam Speaker as this Government recognise the importance of improving the roads in the Pa Enuu, it is critical to do this right. **\$220,000** was approved to fully complete the Atiu Power upgrade prior to the sealing of the roads. This is to facilitate the contractors to install cables and have the street lights operating. Madam Speaker, I encourage everyone in the house today and those overseas to visit the island Atiu. Today we are satisfied, with their colored street lights operating the people of Atiu can enjoy a stroll at night on their sealed roads, thus meeting the government's commitment to improve the standard of living of our people.

- Capital Distribution Fund – \$657,000

Whilst we continue to recognise the importance of infrastructure in the Pa Enuu, this government must also recognise the need to provide the essential equipment in our Pa Enuu. Pukapuka-Nassau has been approved 4 multi-purpose tractors to help the Island Government in a multitude of tasks, to load, unload and carry cargo and to support other critical work undertaken by the Islands Government, to maintain roads, public areas and serviceability of the airport and runway. This multi-purpose tractor can also be used for other community work. This has been supported through the increase in the capital distribution fund.

Included in this increase Madame Speaker is the purchase of electric vehicles. You will recall that this Government has committed to becoming 100% Renewable. Results today show that we have achieved the implementation of renewable energy in the Pa Enuu with Aitutaki a work in progress. This Government will now expand from delivering not only renewable power supply, but also move towards electric motor vehicles. Cabinet Ministers are leading by example, Madam

Speaker by accepting to test these new product. In addition to introducing electric vehicles, this government acknowledges the ageing vehicle fleet of government agencies. Many government vehicles are over and beyond their useful life. As we move towards replacing this fleet, this Government is very conscious of the rapid improvement of electric vehicles and the likelihood that the government vehicle fleet the not too distant future will be electric. Government will ensure vehicle replacement is managed to ensure that we are not left with a large inventory of redundant fossil fueled vehicles.

Not forgetting Ministry of Agriculture madam speaker who have shifted onto the whole of Government network. Purchase of IT equipment was approved for the ministry to be able to deliver their agency work. The purchasing of these vehicles and laptops are done through our centralized procurement team who is able to bulk purchase these capital expenditures and generate savings. If I can emphasize Madam Speaker, we also work with the existing retailers here in Rarotonga to ensure we do not undermine them. A total of **\$657,000** has been approved to facilitate these priorities.

- Ministry of Health – total of \$718,016

As we all know Madam Speaker Health is one of the main priorities of government. With the recent dengue cases identified on our island recently, it is only right that we support this great initiative proposed by the Ministry of Health to undergo the clean-up day for our country. Government approved **\$88,016** to support the operation Namu.

In addition to this, **\$500,000** was approved to support the purchase of pharmaceutical and patient referrals to ensure we have sufficient funds in place to support these critical services so important to our people, until 30<sup>th</sup> June 2019.

The Ministry of Health (Te Marae Ora) recently indicated a shortage of critical surgical equipment required in our hospital. This government is pleased to provide for our people by approving \$100,000 to purchase a burr hole drill and a skin graft machine. By doing so, we are able to improve the medical services we provide to our Cook Islands people and effectively reduce the intensity of care and number of medical referrals.

Madam Speaker, to ensure we continue to improve medical services, replacement of the water tank for the Aitutaki Hospital was urgently required so **\$30,000** was approved to replace a tank that ruptured unexpectedly. Without access to water up the hospital, this will hinder the important work of our doctors and nurses in Aitutaki.

- Member of Parliament Travel - \$180,000

Madam Speaker, as you know we as member of parliaments are invited by honorary partners to attend and represent our country at international conventions. This government has supported the increase of \$180,000 to allow all member of parliaments to meet travel responsibilities for the benefit of our country. One major success madam speaker that resulted from the support of this funding was the GCF accreditation for the Cook Islands. This will be beneficial for our country as we can directly apply for funding to assist our country with climate resilience projects for Rarotonga and the Pa Enuā.

- Mangaia School Bus - \$87,307

Madam Speaker, reflecting back onto the 2018/19 Budget this Government expedited support to the Ministry of Education to support our kids who are our future leaders. Today, this Government is happy to announce that funding to purchase a School Bus for our school children in Mangaia has been available. This will resolve the transport issues our parents are facing in Mangaia.

Madam Speaker these government priorities are listed in the supplementary book and they all provide support for various agencies that positively impacts the lives of our people including additional funding for the Opposition Office.

Madam Speaker, I would like to raise that over and above the decisions made through the Executive Approvals additional priorities were identified to be supported through this Supplementary Bill. To highlight a few:

### Pacific Games - \$200,000

As I mentioned before, the health of our people is important and we accept the efforts and participation our people are promoting to combat non communicable diseases (NCD). This government will provide additional support to all the athletes who are qualified to represent our Nation at the South Pacific Games. An additional **\$200,000** will go a long way to support all sports codes attending the games.

#### - Airline Underwrite - \$523,000

Madam Speaker the Airline Subsidy we currently have in place will continue to provide a prop for our tourism industry. Due to the unscheduled maintenance on Air New Zealand Dreamliner aircraft, this has impacted on the financial performance of the Airline underwrite. This served amongst other things to increase the cost of the subsidy by **\$523,000**. It is necessary for Government to provision for this additional cost.

#### - HOMs Administered Payment - \$208,879

With the recent renewal of Head of Ministries announced to the public, the budget must increase to reflect government's need to remunerate more to attract very more and better candidates. I must say Madam Speaker, 70% of these new Head of Ministries are women and this government is proud to support these women in their role.

#### - Establishment of Ministerial Office - \$50,000

Madam Speaker, Article 13 (3A) of the Constitution allows The Queens Representative on the advice of the Prime Minister to appoint one additional Minister who can:

- Be qualified for election as a member of Parliament
- Be entitled to attend and address meetings in Parliament and any committee thereof.

Funding of **\$50,000** has been put aside to ensure this minister is able to deliver the responsibilities this person will bear. The success of our country today and

the improvements we commit to embark on by supporting all our government agencies and communities, need the support from the ministerial level. To maintain this success madam speaker, we have increased the number of associate ministers and we must now appoint another minister to drive and lead the change we strive to achieve.

### Revenue

Madam Speaker, today I announce no further changes to the Government's revenue policy in the 2018/19 year. Strong revenues are estimated now and in the future, particularly in the form of taxation. These revenues are largely derived from tourists during their time in the Cook Islands in the form of VAT. I say, let it continue, but let's ensure that we are spending the revenue collected on projects and services that will add to the capacity of the Cook Islands economy to better serve our people, our communities and our key industry.

### Total Appropriation

Finally Madam Speaker, considering all these new expenditures since the time of the 2018/19 Budget, the Total Appropriation has increased from \$268 million to \$274 million. A total of \$5.3 million increase in Appropriation. This is the result of an increase, consisting of:

- \$2.7 million to support various agencies to improve the service we deliver for our people and;
- \$2.5 million to support our infrastructure both here in Rarotonga and the Pa Enea.

The great news Madam Speaker, despite these changes and amendments, this Government still manages to put forward an operating surplus budget of \$19.2 million and a fiscal deficit of \$13 million, resulting in a -2.6% of our GDP. We are still living well within our means with this Government delivering positive operating balances and expenditures that benefit every member of our society.



## Summary

Madam Speaker, this Government is one of action, performance and results. But we are also a Government of heart and compassion that listens to the people. We have made several commitments to the people of the Cook Islands, and we have done our best to honor those commitments. We have maintained fiscal discipline and have been effective in meeting the growth our country aspire to have. We are proud of these achievements and intend to continue on this path of fiscal stability. Our government is fully committed and determined to continue the hard work and efforts necessary to ensure that we build on our success to date as we seek to create a stronger and more prosperous society in our country.

Thank you