



OFFICE OF THE PRIME MINISTER
HON MARK BROWN
GOVERNMENT OF THE COOK ISLANDS

CABINET APPROVES FISCAL PATH
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The Minister of Finance and Prime Minister Mark Brown has shared key Cabinet decisions made earlier today.

The first of these related to the Medium-Term Fiscal Framework (MTFF) and changes to the fiscal rules which the Cook Islands Government sets for itself to ensure it meets its responsibilities for sound fiscal management of the economy.

“Cabinet has accepted the advice of our economists to refocus our anchor rule on Government’s cash management. Through doing this we are providing confidence to our economy that the Government will not run out of cash at any point in time in the immediate future (i.e., the next three years), as we recover from the current economic downturn” Prime Minister Brown said.

“Notwithstanding this change in the anchor rule, the Government is still very concerned about the net debt to GDP rule which was the previous anchor rule.”

“We are aware that this anchor has allowed an increase from a hard cap for net debt of 35% to a hard cap of 65% of GDP. This is an indication of the impact of the pandemic on our debt levels as a country. That debt is significant because it needs to be repaid at some point and annual debt servicing is now projected to cost the Government \$27m by 2024/25 financial year” said Mr Brown.

A related Cabinet paper entitled the Survival and Cash Management Strategy (SCMS) outlines the Government’s strategy with respect to cash management, as well as describing how the economy will survive the current and recent border closures and the resulting severe economic impact of those.

“In terms of cash management, we have agreed that the fiscal rule states that the Government will always have three months’ worth of cash on hand to meet its financial outgoing commitments. This means we need around \$60m in cash reserves at any point in time. The survival strategy accepts that necessity given the current economic situation, and that at very worst the Government will have one months’ cash available (\$20m) and that this will trigger a range of responses including

considering draw down on a precautionary loan financed through the Asian Development Bank (ADB)” the Prime Minister added.

The final Cabinet paper focuses on the ADB loans for which the Government anticipates approval in December 2021.

The first of these loans will be drawn down in December to provide support for our current Budget.

The second is a precautionary loan and will only be drawn down if needed and if triggered by our number of tourists.

“Our Ministry of Finance and Economic Management (MFEM) has been working closely with the ADB and with New Zealand to ensure that we have access to sufficient cash reserves to fund our current Government Budget commitments.”

“While these loans require a commitment from the Cook Islands Government towards sound financial management and progress in several areas that are key for the future of our economic welfare, we have every confidence that these requirements can be met. Many of the requirements have already been completed or are nearing completion and this is due to the excellent economic management by MFEM” the Prime Minister concluded.

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