



## **PRESS RELEASE**

**24 May 2020**

### **Official Statement**

#### **Government readies an enhanced stimulus plan in response to Covid-19**

#### **BEGINS**

*Phase II of the Economic Response plan to come into effect July 1*

- *Enhanced lifeline support for families, including an increase in the wage subsidy*
- *Increase of the tax free threshold*
- *Tax measures and access to low interest loans for businesses*
- *Training and upskilling initiative for our workforce*

The government's Covid-19 Economic Response Plan (ERP) is moving forward with an additional \$76 million in stimulus to carry forward the country to a post- Covid-19 future.

Phase I of the plan continues to make an impact, with \$1.4 million in household support payments, \$5.2 million to keep people in jobs, and \$3.6 million in business support payments provided thus far.

The country's once thriving tourism sector has seen two months without a single visitor, and the effects are evident everywhere. Government can't fill the void of economic activity entirely, however with Phase I, the right balance has been struck between meeting the needs of the community and keeping government's finances sustainable.

Phase I was a rapidly executed \$61 million plan in the immediate aftermath of the closure of the nation's borders. Businesses kept staff on payroll and workers were able to keep putting food on the table, with little cost to the country's long-term fiscal situation. Phase I concludes at the end of June, coinciding with the end of the 2019-2020 fiscal year.

Phase II of the ERP is being crafted along those same lines, however the mandate is much broader. Government will expand lifeline support to households and businesses as we await the reopening of our borders, while playing a role in creating a more robust and resilient economy.

This work is critical and cannot be completed by Government alone. The House of Ariki, opposition Members of Parliament, Religious Advisory Council, Private Sector Taskforce, training institutions, representatives from the economic sectors, and the Punas are involved.

Government officials are consulting with stakeholders on the reopening of our borders, but first, recognition must be given for the diligent work by our healthcare workers and a committed public that has allowed the Cook Islands to declare itself Covid-19-free. Along with an improving regional situation around the pandemic, an easing of travel restrictions and the reopening of our borders is on the horizon.

Yet this pandemic is unlike any public health emergency we have ever seen. With no firm date for the reopening of borders, we must continue to keep the economy running while providing support to households. Phase II of the ERP will provide economic continuity as we head towards that goal.

There are three themes to the \$76 million plan with a diverse range of initiatives:

#### Lifeline Support

- Extension of the Wage Subsidy for eligible businesses until September at an increased rate of \$320 per week for full-time staff.
- 'Hibernation' of interest repayments for one year for individual and business debt holders, removing the interest burden with the deferred interest to be repaid under more favourable economic circumstances.
- Increase of the tax-free threshold for individuals from the current \$11,000 per year to \$12,800 on July 1 and to \$14,600 from 1 January 2021.
- Extension of the unemployment benefit measure with re-training initiatives
- Establishment of an Emergency Hardship Fund to help families get back on their feet.
- Extension of the current reduction in superannuation contributions for both employees and employers for another 3 -months with a further reduction to one percent.
- Coordination with Te Aponga Uira for further electricity discounts to eligible households and businesses.
- Access to low interest short-term loans to businesses

#### Recovery – Kick-starting growth over the medium term:

- A training subsidy and grant funding for interested businesses.
- 'Fees Free' - An initiative to encourage our workforce to upskill, including a waiver of fees during Semester 2 at the Cook Islands Tertiary Training Institute and a select number of certificates offered by the University of the South Pacific between June and December 2020.
- For businesses, tax measures such as accelerated depreciation to encourage investment in new productive equipment, buildings, and other capital works.

- Reduced interest longer-term loans and government-guaranteed loans to reduce finance costs for investment.

Transforming our economy – Government acknowledges the Cook Islands is reliant on tourism, yet there is no quick fix to diversifying the economy. The ERP provides the opportunity to commence down the track of diversification by providing support for the private sector to identify opportunities.

- SMART Economy Initiative. The soon-to-be online Manatua Cable and reform of the telecommunications sector are catalysts for a commercial ICT transformation. This initiative will provide a mix of grants, lower interest loans and tax credits to support commercial business ventures providing innovative ICT applications and services to business and consumers.
- Smart AgriTech. This initiative aims to foster innovation and productivity in the commercial agricultural sector by providing grant funding and equipment to encourage investment and improve commercial viability and economic sustainability.
- Enhanced accelerated tax depreciation to encourage investment in environmentally sustainable assets with a focus on greening our economy.

Government will be appropriating funds for Phase II initiatives in the 2020/21 Budget that will be put before Parliament next month. While funding will require innovation and creativity, a low debt-to-GDP ratio will allow government to work with regional partners on financing arrangements, complimenting existing cash reserves. The Government anticipates bipartisan support for the measures and expect to start implementing them from 1 July.

In summary, Phase II of the ERP will carry the country towards a future where we can begin welcoming visitors once again.

“Our health and economy must move forward together,” says Finance Minister Mark Brown. “We cannot maintain our economy without considering the health and safety of our people. Likewise, we cannot maintain our health system without a viable economy.”

**ENDS**