



Government of Niue

**STATEMENT BY THE MINISTER OF FINANCE, INFRASTRUCTURE AND PUBLIC SERVICE
HON CROSSLEY TATUI FOR THE INTRODUCTION OF THE BUDGET ESTIMATES 2023/2024
TO THE NIUE ASSEMBLY MEETING
7 JUNE 2023.**

Hon Speaker

Premier

Cabinet Ministers

Hon Members of Assembly

Her Excellency Helen Tunnah, High Commissioner of New Zealand to Niue

Her Excellency Louise Ellerton, High Commissioner of Australia to Niue

President of Ekalesia Kerisiano Niue, Leaders of Church Denominations

Chair of the Niue Public Service Commission

Acting Secretary of Government and Head of Departments and staff

Financial Secretary and Staff

Presidents and Leaders of the Private Sector

Presidents and Leaders of Civil Society, Women, Sports, Youth, Niue Growers Association

Chairpersons and Councillors of the Village Council

Ladies and Gentlemen

Mr Speaker,

It gives me great honour to present the Annual Appropriation Bill and the 2023/2024 Budget estimates to this noble Assembly. It is a budget which shows our economic vulnerability and the risks inherent we must address together with urgency, purpose and innovation.

Theme

The budget theme evolves in 'Building Resilience through Reforms'.

Deficit

The 2023/24 recurrent budget has a deficit of \$8.7m. A significant amount which is 19% of the average national GDP of \$40m. This deficit is an operational deficit and does not factor in capital expenditure for repairs and replacement of capital assets.

Previous year 2022/23 FY deficit was \$9.99mil and deficit will remain until the economy fully recovers from the pandemic.

Mr Speaker,

Economic Challenges

There should be no surprise with the current risky position we are facing due to the historic policies and decisions being implemented, aid dependence, our remoteness, high-cost

structure, small population base, the Covid 19 pandemic impacts, and the external economic shocks caused by geopolitical conflicts.

Mr Speaker,

For 3 years, managing of our budget had been difficult, but challenging at the same time. But that is the role of government and this Assembly.

Outdated Legislation and Finance Management Laws

Management of the budget continues to be influenced by the outdated Public Revenue Act 1959. And includes, the Customs Act, Tax Administration Act and many old legislations we have.

Mr Speaker,

Our Public Financial Management law is outdated when benchmarked against international good practice, based on the Asian Development Bank assessment report in 2020.

The Greentree financial management information system requires continuous upgrading and reporting functions from the system to be simple, fit for purpose and user friendly.

Reforms initiated in 2011 through PEFA assessments by PFTAC took time given the current capacity and capabilities within the department and prompted the government to take necessary actions of the roadmap plans developed.

Mr Speaker,

The review of the Niue Public Finance Management Bill nears completion for Cabinet endorsement and tabling in this Assembly during the second part of the year. It includes State Owned Enterprise's (SOE's), village councils and Central Agencies.

The Bill provides for fiscal responsibility, the annual budget-estimates and appropriation, the control and management of public finances, including the use of government account, borrowing, lending, and investment, accounting, reporting for the government entities, sanctions and other matters.

Mr Speaker,

I highlight these reforms as priority for the Assembly and all to understand and appreciate how extremely important it is for the modernization of, not only the financial management laws and automation of systems. But also, other institutions and governance systems which are deemed to be outdated and not compatible with current international developments and standards.

Mr Speaker,

Public Policy System

Public policy sits at the top of Government's responsibility and focus. After all, policy is what governments do. Currently government is looking towards recruiting policy specialists in the public sector to drive public policy formulation, analysis and review.

The budget deficit reminds us some of our public policies are not sustainable. Some policies need professional and independent analysis to determine their relevance, and the initiatives

being implemented which needs clear policies to operate and to help with recovering the high cost of investment and maintenance including revenue generation policies.

The government knows, you expect us to make decisions to adjust some of the current policies.

The reality is, it is not as simple as talking about it. When we have a small population, a fragile economy, a high standard of living and freedom to migrate as New Zealand citizens.

Mr Speaker,

The essential utility services like electricity is partly subsidized, while goods and services for water, rubbish collection, health, education and others are free.

Mr Speaker,

The deficit position summons us to rethink and revisit the way we do things. How hard it is to set and keep policies, spend more than the cash available to us.

There should be no new positions and initiatives without Cabinet approval. These are unappropriated expenditure that adds to unauthorized costs and needs to be addressed.

Mr Speaker,

The budget situation compels the government to ask the hard questions.

Why are we in this financial position?

What are the best solutions to help solve the problems to improve our current and future financial and economic situation?

What is the Government doing about this?

Mr Speaker,

Financial Sustainability

Since 1974, when we established internal self-government in free association with New Zealand, the accounting matter of going concern continues to be raised by the reports of the Auditor General of Niue.

It means, as a business entity we are not able to continue to operate by continued reliance on the New Zealand Government. Though the Constitution Act stipulates the assurance by the New Zealand Government to provide the necessary economic assistance to Niue.

Financially, the Auditor General reports were following the appropriate accounting and auditing standards required within their rules and scope of responsibility. It is important that we monitor our financial performance closely to ensure that we operate within the means available to us.

Mr Speaker,

Niue International Trust Fund

Politically, history defines we, as a People, have not made right decisions in developing and building short to long term investments.

Until 2004, when the Niue International Trust Fund was formed, a triennial commitment from New Zealand and Australia. Niue is the beneficiary of the NITF and annual interest per annum allows the government to assist with budgetary support. NZ government has been the main contributor.

Mr Speaker,

Also, Australia continues to deposit funds into the trust fund deemed necessary by the Australian Government.

While we have no external loans and debts, it means we have relied on the New Zealand Government to provide financial assistance, we can explore financing mechanisms, like other developing countries in the Pacific, the benefits accrued from borrowing at the manageable levels to support our annual budget and economy from unforeseen events. However, capacity to service these loans maybe challenging

Mr Speaker,

Tourism Development

The government is making good progress in rebuilding back the tourism industry to reach pre-Covid performance. There is a lot of investment required in this sector to handle the increased tourist's numbers.

Success of tourism depends on reliable and affordable airline services which is currently Air New Zealand. The Premier and advisers are in discussions with Air New Zealand and other potential air services in the region for Niue. The outcomes of these negotiations do not happen overnight and we need patience and understanding.

Tourist numbers before Covid-19 was more than 11,000 on average and we will return to this level once all significant arrangements are completed and actioned.

Mr Speaker,

Economic Opportunities and PACER Plus

Our approach on how to manage our sovereign assets and optimize investment returns from honey, vanilla, water, agriculture, domain name requires new energy, innovation and governance. Other countries are benefiting from trade and investments abroad.

We have the best reports and recommendations advising us how to diversify our local natural resources but we lack the capacity and expertise to action these initiatives.

With our access to PACER Plus family, we must optimize trade opportunities on the natural resource available and skills gifted to us by our forefathers.

The government is reviewing the shipping registry agreement with a Singapore company (SV Limited) to better manage the registration and monitoring processes. The New Zealand government has arranged audit of the registry management to ensure due diligence checks are met.

The Crown Law office will oversee this project going forward.

Mr Speaker,

New Revenue Initiatives

Taxation Reforms currently undertaken including new tax administration act to be passed that will help guide and strengthen the operations of the Tax Office where government expects the implementation of the reform roadmap on the best way, we can harmonize our present tax system and regime, to help low-income families and small businesses.

Implementation of the Non- Tax revenues review recommendations report to help strengthen Government's revenue base and improved collection.

ASYCUDA system now in place strengthening border revenue collection including ASYPAX for scanning all incoming and outgoing passengers.

Broadening revenue base will enable the review of pensions and salary grades for government employees to ensure parity and equity across the public service

Shipping Service

Our shipping service will continue to be an important lifeline service for our economy, businesses and people. There operations have been impacted by global inflation, increasing prices of fuel and so forth.

The government will have negotiations with Matson Shipping later this month with their Director Sir Michael Jones and delegation.

The Government appreciates the local shipping agents, the Outside Services crew and boarder agencies for their performance on boat days.

Mr Speaker,

Infrastructure Development

The size of Niue is considerably large in land mass, therefore, the cost of investment, maintaining and replacing infrastructure assets is extremely high compared to the population level. The current population base cannot absorb the maintenance and replacement costs of the basic infrastructure.

However, in reality our national development goals aim to develop Niue-Ko Kaina for us, our families overseas and all visitors and friends to Niue. We all can benefit from these developments.

There is a National Infrastructure Plan being finalized to ensure we know our needs and cost for managing our assets. This will also assist with the development of an Infrastructure Investment Facility mechanism for the maintenance and replacement of key assets.

Renewable Energy initiatives ongoing and expected 80% renewable by 2025 which could save on fossil fuel costs. New Powerhouse currently near completion will assist with stability issues.

Manatua Cable is key infrastructure that will assist government with digital transformation, ICT initiatives, upgrades into protective security framework, this will enable efficiencies within the government as well as generate economic benefits.

Resealing of airport and Chinese Roading projects are key projects currently in progress

We thank New Zealand for providing funding and ongoing technical support towards our national assets.

Mr Speaker,

National Revised Strategic Plan 2021/2026

The budget is fundamentally aligned to the national plan. It follows the 7 pillars from the 2016-2026 plan.

The pillars are; Finance and Economic Development, Governances, Infrastructure, Social Services, Environment and Climate Change, Taoga Niue and the Private Sector.

These pillars define our vision, missions and journey. It sets out our priority goals and aspirations of our people.

The national plan is also linked to the 2050 Strategy for the Blue Pacific Continent approved by the Pacific Forum Leaders, the United Nations SDGs 2030, the Samoa Pathway 2030 and other conventions.

Mr Speaker,

The plan is, once we are able to debate and pass the budget before 1 July 2023, there will be a National Summit in July to elaborate on the national plan and long-term goals.

We can also use the summit to discuss our future pathway beyond 2026.

All stakeholders of Niue have an obligation to participate to fulfil our nation building.

Health

Mr Speaker,

Health is important in all aspects and intentions of national planning, and the annual budget to ensure the wellbeing of our people.

It is the fundamental right of all without discrimination. New diseases are alarming and scary to our small population and it is important to listen, obey and follow medical advice.

The government appreciate the dedication of the health department staff, though there have been pressure in managing the critical staff shortages.

They are at the forefront of managing the pandemic up to this point in time.

Education

The same with the education of our children, including all of us.

Education for life is proven the best way for generations to enable selfcare, families, communities and the country.

The Education Act is due for review to align new changes and sure the teaching environment is friendly and effective for our children.

Climate Change

Mr Speaker

Our nation face increasing threat from climate change.

Like many problems, it is composed of vast interconnected issues and problems that are impossible to solve by a single country or community.

Studies have shown the rate of global warming, sea level rise, tsunamis, cyclones are getting stronger and more damaging.

Fishing patterns change impacting on our well-being.

We must embrace these challenges now.

Private Sector

Mr Speaker,

Government will continue to support private sector, through NZAID sector support; capitalization of the NDB remains priority to help finance businesses; including 4 day week enabling government employees to do private sector activities on a Friday to build up the economic activities for economic growth.

Mr. Speaker

In Conclusion

This is the brief report to convey the story of our 2023/24 budget in which aims to shape and govern our 12 months and future pathway.

The fate of our country, our economy, our people show how challenging and difficult it is to get the reforms done efficiently with minimal effect, and with the limited resources available to us.

In summary, the government is trying to explain what the challenges are, analyse the problems, work out the cost of not addressing these problems now to the people, to the development partners, and importantly consider how best we are going to fix it.

How hard or easy that process be?

Given the time available to us, we need to work together to build resilience through reforms.

We must keep the momentum alive.

I sincerely thank the Ministry of Finance staff and all departments for the hard work to produce this budget.

Mr Speaker,

I commend the Annual Appropriation Bill and budget estimates to the House for the first reading.

Thank you.