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# **Cook Islands Government**

## **Quarterly Financial Report**

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**June 2017**

**Prepared by the Ministry of Finance and Economic Management**  
**[www.mfem.gov.ck](http://www.mfem.gov.ck)**



## Table of Contents

Table of Contents .....	3
Introduction.....	4
Key Points .....	4
Summary of the Financial Position of the General Government.....	5
Summary of Crown Cash Position of the General Government .....	6
Changes to Expenditure Authority .....	7
General Government Revenue Analysis .....	9
General Government Expenditure Analysis .....	12
Payments on Behalf of Crown (POBOCs) .....	12
Appropriation Analysis .....	14
Other General Government Operating Expenditure .....	16
Capital Expenditure .....	17
State Owned Entities (SOEs) Half Year Reporting.....	21
Crown Borrowings .....	22
The Crown Loan Reserve Fund (LRF).....	24
General Government Cash Reserves .....	26
OFFICIAL DEVELOPMENT ASSISTANCE (ODA) .....	27
Glossary .....	43

## Introduction

The statements contained in this report have been prepared on an accruals basis as far as practical and outline income and expenses incurred which may not be necessarily received or paid. All figures are rounded to the nearest thousand. In a change from past quarterly reporting, personnel expenses have been accrued for five days ending June 2017 to give a more accurate picture of expenditure.

## Key Points

The net operating balance of the General Government Sector as at 30 June 2017 was a surplus of \$45.76 million.

- Operating revenue was \$171.52 million; and
- Operating expenditure was \$125.76 million.

The estimated overall fiscal balance for June 2017 was a surplus of \$32.79 million. The fiscal balance adjusts the Net Operating Balance for the effects of depreciation and capital expenditure.

**Table 1**  
**Net Operating Balance General Government – June 2017**

<b>2015/16</b>		<b>2016/17</b>	<b>2016/17</b>	<b>Variance</b>	
<b>Actual</b>		<b>Budget</b>	<b>Actual</b>		
<b>('000)</b>		<b>('000)</b>	<b>('000)</b>	<b>('000)</b>	<b>%</b>
149,760	Operating Revenue	142,958	171,520	28,562	20
127,394	Operating Expenditure	128,746	125,763	2,983	2
<b>22,366</b>	<b>Net Operating Balance</b>	<b>14,212</b>	<b>45,757</b>	<b>31,545</b>	<b>222</b>

**Table 2**  
**Fiscal Balance of General Government – June 2017**

<b>2015/16</b>		<b>2016/17</b>	<b>2016/17</b>	<b>Variance</b>	
<b>Actual</b>		<b>Budget</b>	<b>Actual</b>		
<b>('000)</b>		<b>('000)</b>	<b>('000)</b>	<b>('000)</b>	<b>%</b>
22,366	Net Operating Balance	14,212	45,757	31,545	222
2,920	Add Crown Depreciation	3,682	3,682	-	-
2,240	Add Ministry Depreciation	2,846	3,091	245	9
1,199	Add Pa Enea Depreciation	1,081	1,041	(40)	(4)
11,223	Less Capital Expenditure - CI Govt Funded	38,136	20,783	17,353	46
<b>17,503</b>	<b>Fiscal Balance</b>	<b>(16,315)</b>	<b>32,787</b>	<b>49,102</b>	<b>(301)</b>

Total revenue collections for June 2017 were higher than the budget estimate and were mainly attributable to higher than estimated tax revenues for reasons detailed in the General Government Revenue Analysis section.

Total operating expenses for June 2017 were lower than the Budget estimate and are largely attributed to lower expenditure of payments on behalf of Crown. Details are provided General Government Expenditure Analysis section.

Capital Expenditure was well below expectations due mainly to scheduling.

## Summary of the Financial Position of the General Government

The net operating surplus of the General Government sector for June 2017 was a surplus of \$45.76 million, representing an increase of \$31.55 million on the 2016/17 Budget estimates.

Overall, revenue was \$28.56 million higher than the 2016/17 Budget estimates and operating expenditure was lower by \$2.98 million than the 2016/17 Budget estimates for the twelve months. Further detail is provided in the appropriation analysis sections.

This statement has been prepared on an accruals basis as far as practical and outlines income and expenses incurred which may not been necessarily received or paid.

**Table 3**  
**Net Operating Balance as at 30 June 2017**

<b>June16</b>		<b>2016/17</b>	<b>2016/17</b>	<b>Variance</b>
<b>FY2015/16</b>		<b>Budget</b>	<b>Actual</b>	
<b>Actual</b>				
<b>('000)</b>		<b>('000)</b>	<b>('000)</b>	<b>('000)</b>
<b><u>Operating Revenue</u></b>				
116,270	Taxation Revenue	109,634	125,397	15,763
19,246	Other Crown Receipts	15,031	25,707	10,677
6,799	Trading Revenue	5,342	7,012	1,670
-	Interest on Loans to Subsidiaries	702	1,286	584
818	Dividends	1,787	382	(1,405)
1,627	Interest on Funds	1,885	2,129	244
5,000	Higher Modality Partnership NZ	0	0	0
-	Public Sector Strengthening -Process and			
	Systems	8,577	9,607	1,030
<b>149,760</b>	<b>Total Operating Revenue</b>	<b>142,958</b>	<b>171,520</b>	<b>28,562</b>
<b><u>Operating Expenditure</u></b>				
69,611	Ministry/ Pa Enea Expenditure	65,078	63,145	1,933
43,736	Payments on Behalf of the Crown	52,821	50,367	2,454
2,048	Airport Authority	0	0	-
120	Bank of Cook Islands	0	0	-
380	Te Aponga Uira	0	0	-
110	Ports Authority	0	0	-
2,571	Debt Service Interest	1,710	2,221	(511)
1,798	Asset Management	1,800	1,800	0
2,920	Crown Infrastructure Depreciation	3,682	3,682	0
150	Consessional Loan to Vanilla Farmers (BCI)	0	0	-
230	Cook Islands Primary Schools 50 year Saver	0	0	-
534	Public Sector Strengthening	0	0	0
50	Transfer to Emergency Reserve Trust Fund	604	604	0
515	Transfer to Reserve Trust Fund	548	548	-
2,490	Depreciation Contingency Fund	2,362	2,362	0
-	Contingency Funds - Capital	0	0	-
-	Other expenses	0	619	(619)
131	Contingency Funds - Operating	140	415	(275)
<b>127,394</b>	<b>Total Operating Expenditure</b>	<b>128,746</b>	<b>125,763</b>	<b>2,983</b>
<b>22,366</b>	<b>Net Operating Balance</b>	<b>14,212</b>	<b>45,757</b>	<b>31,544</b>

## Summary of Crown Cash Position of the General Government

March 2016/17 Actual ('000)	<u>For the Fourth Quarter 2016/17</u> <b>Key Balance Sheet Items in General Government:</b>	June 2016/17 Actual ('000)
75,669	Cash and Equivalents (Table 15)	85,555
(29,392)	Committed Cash (Table 15)	(29,753)
<b>46,278</b>	<b>Net Cash Reserve</b>	<b>55,802</b>
97,600	Gross General Government Borrowings (Table 13)	95,469
<b>57,321</b>	<b>Net General Government Borrowings</b>	<b>55,640</b>
	<b>Increase in Net Cash Reserve</b>	<b>9,524</b>
	<b>Decrease in Net General Government Borrowings</b>	<b>1,681</b>
	<b>Net Cash Gain/(Loss) in the period</b>	<b>11,205</b>

The gross borrowings by the Crown were \$95.47 million; net borrowings by the General Government Sector (excluding loan reserves and borrowings by SOEs) were \$55.64 million (down by \$1.68 million on March 17).

The net cash reserve which is essentially unencumbered increased to \$55.80 million for 30 June 2017 (up by \$9.52 million on March 2017) resulting from the Fiscal surplus in the fourth quarter reported. Combined net cash position resulting from the Fiscal surplus was a net cash gain of \$11.21 million for the fourth quarter.

The following table provides the same analysis for the twelve months to 30 June 2017. The table shows an overall net cash gain for the financial year 2016/17 year-to-date June 17 of \$33.75 million

Jun16 2015/16 Actual ('000)	<u>For the 12 months to June 2016/17</u> <b>Key Balance Sheet Items in General Government:</b>	June 2016/17 Actual ('000)
56,535	Cash and Equivalents (Table 15)	85,555
(27,289)	Committed Cash	(29,753)
<b>29,246</b>	<b>Net Cash Reserve</b>	<b>55,802</b>
104,098	Gross General Government Borrowings (Table 13)	95,469
<b>62,831</b>	<b>Net General Government Borrowings</b>	<b>55,640</b>
	<b>Increase in Net Cash Reserve</b>	<b>26,556</b>
	<b>Decrease in Net General Government Borrowings</b>	<b>7,191</b>
	<b>Net Cash Gain/(Loss) in the period</b>	<b>33,747</b>

The net cash gain is greater than the Fiscal surplus for the year to date due to a significant receipt accounted for in 2015/16 being received in July 2016. This is offset partially by unrealised gains from Foreign Exchange movement on Government Debt.



**Executive Orders approved under Section 70(3) (b) (i)**

<i>Contingency Fund Top-up</i>	\$	100,000
<i>STEPNZ Immigration Programme</i>	\$	72,500
<i>R&amp;M Atiu Genset</i>	\$	41,000
<i>Social Impact Fund topup</i>	\$	260,000
<i>COI Air Raro</i>	\$	26,220
<i>Serious Crime Investigation</i>	\$	81,751
<i>IMF-PFTAC</i>	\$	56,658
<i>CISNOC Grant - U20 Oceania Tournament</i>	\$	15,000
<i>Miss Cook Islands Association</i>	\$	50,000
<i>Civil List Travel &amp; Allowances</i>	\$	330,000
<i>Aitutaki Road Sealing Programme</i>	\$	499,133
<i>Capital Distribution Fund(CDF)</i>	\$	10,239
<i>As at 31 December 2016</i>	\$	<u>1,542,501</u>
<i>Transfer from Min of Culture (POBOC) to Capital Distribution Fund (CDF)</i>	\$	26,950
<i>Pharmaceuticals</i>	\$	150,000
<i>Capital Distribution Fund(CDF)</i>	\$	36,689
<i>School Security</i>	\$	140,000
<i>Contingency Fund Top-up, Samatua vs Attorney General</i>	\$	41,000
<i>Contingency Fund Top-up, Hardship Grant for Tahiti Appeal</i>	\$	10,000
<i>Samatua vs Attorney General 2/2</i>	\$	49,000
<i>Tupapa House Fires</i>	\$	10,000
<i>Operating Budget</i>	\$	54,950
<i>Head of State Top-Up</i>	\$	16,930
<i>As at 31 March 2017</i>	\$	<u>535,519</u>
<i>Pharmaceuticals</i>	\$	320,000
<i>RSA Anzac Day Celebrations</i>	\$	4,760
<i>Air Raro Commission of Inquiry - Extra Top up MOT</i>	\$	29,800
<i>CICC Mission Training Centre Construction</i>	\$	150,000
<i>CICC Grant</i>	\$	50,000
<i>MOH Top Up Patient Referrals - Air Ambulance</i>	\$	120,000
<i>Serious Crime Investigation</i>	\$	19,989
<i>House Of Ariki</i>	\$	24,773
<i>Civil List Personnel</i>	\$	20,000
<i>Civil List Travel &amp; Allowances</i>	\$	14,000
<i>PLPG</i>	\$	6,000
<i>House Of Ariki (Ui Ariki Day)</i>	\$	50,000
<i>As at 30 June 2017</i>	\$	<u>809,322</u>
<b>Total YTD 30 June 2017</b>	<b>\$</b>	<b><u><u>2,887,342</u></u></b>



## General Government Revenue Analysis

General Government sector revenue as at 30 June 2017 was higher than the Budget estimate by \$20.83 million or 15 per cent. This was mainly attributed to tax revenues performing above budget for respective reasons detailed below.

*Table 4*

### General Government Revenue Summary – June 2017 YTD

2015-16 Actual ('000)		2016-17 Budget ('000)	2016-17 Actual ('000)	Variance ('000)	%
54,486	Value-added Tax	55,582	58,531	2,949	5
24,711	Income Tax	22,942	24,386	1,444	6
13,391	Company Tax	10,091	16,154	6,063	60
12,313	Import Levies	11,366	14,335	2,969	26
2,928	Withholding Tax	0	1,757	1,757	100
8,441	Departure Tax	9,653	10,234	581	6
6,799	Trading Revenue	5,342	7,012	1,670	31
21,691	Other Revenue	19,405	29,504	10,099	52
5,000	Higher Modality Partnership NZ	0	0	0	0
-	Public Sector Strengthening-Process & Systems	8,577	9,607	1,030	12
<b>149,760</b>	<b>Total Revenue</b>	<b>142,958</b>	<b>171,520</b>	<b>28,562</b>	<b>20</b>

#### Value Added Tax

VAT revenue collected ending June 2017 was \$2.95 million above budget estimate (5 per cent) as a result of increased economic activities in the later three months of the financial year.

#### Income Tax

Actual income tax revenue collected ending June 2017 was \$1.44 million above budget estimate (6 per cent) in line with economic activity growth.

#### Company Tax

Actual company tax revenue collected was \$6.06 million (60 %) above budget estimate. This was a consequence of both, increased economic activity resulting from increased tourist numbers, as well as the Revenue Management Division's successful audit activity

#### Import Levies

Actual Import levies collected as at 30 June 2017 was \$2.97 million above the budget estimate (26 per cent). Chain effect of economic activities from tourism has resulted in increased imports.

#### Withholding Tax

Actual Withholding tax collections were \$1.76 million above the 2016/17 Q4 budget estimate (100 per cent).

#### Departure Tax

Departure tax collections were \$0.58 million above the 2016/17 Budget estimate (6 per cent).

#### Trading Revenue

This will be discussed in the next section (Appropriation Analysis).

#### Higher Modality Partnership Agreements

Agreement has not been reached with New Zealand. Consequently there has been timing issues with receipt of this revenue and only revenue received by 30 June 2017 has been accounted for as revenue. Associated expenditure, particularly related to performance based funding has been managed lower accordingly. \$9.61 million is the remainder of the 2015/16 GFA.

### Other Crown Revenue

Other Crown Revenue was \$10.10 million above the 2016/17 budget estimate (52 per cent). Fishing Licences, Fisheries Catch Revenue, Interest on Balances and Unrealised Foreign Exchange Gains contributed to this variance to budget. No dividends have yet to be received, this will be accounted for at the end of the financial year.

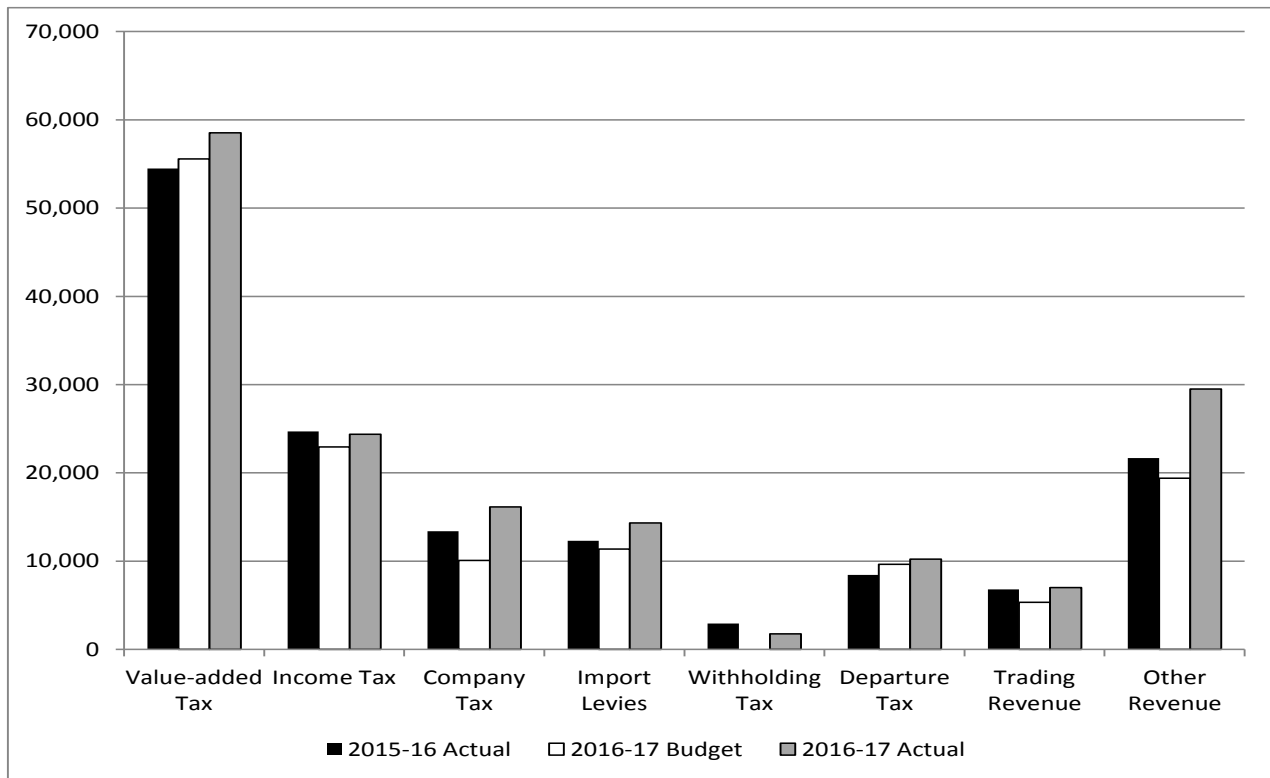
**Table 5**

#### **General Government Other Revenue Summary – June 2017 YTD**

<b>2015-16 Actual ('000)</b>		<b>2016-17 Budget ('000)</b>	<b>2016-17 Actual ('000)</b>	<b>Variance ('000)</b>	<b>%</b>
555	FSC Fees	293	324	31	10
288	Vested Assets-FSC	0	0	0	0
	FSC Return of Excess	160	0	(160)	(100)
715	Immigration Fees	587	886	299	51
-	IMO Subscription - Maritime CI	66	63	(3)	(4)
49	Court Services	50	37	(13)	(25)
23	Instant Fines	20	67	47	233
7,714	Fishing Licences	9,000	14,197	5,197	58
-	Fisheries Catch Rev	0	2,312	2,312	0
5,819	Fisheries US Treaties	1,200	1,548	348	29
-	Fishing Fines	-	487	487	0
1	Research Fees	1	2	-	-
13	Permits	24	27	3	13
-	Banana Court -Dividends	10	-	(10)	(100)
-	Bank of the Cook Islands	248	183	(65)	(26)
-	Te Aponga - Dividends	319	35	(284)	(89)
18	Extraordinary SOE-Dividends	60	-	(60)	(100)
800	Bluesky - Dividends	1,150	163	(987)	(86)
396	Numismatic Revenue	350	354	4	1
292	Drivers Licenses	80	87	7	9
631	Motor Vehicle Registrations	875	888	13	1
1,627	Interest on balances	1,885	2,129	244	13
0	Interest on loans to subsidiaries	702	1,286	584	83
30	Foreign Investment Fees	26	25	(1)	(3)
545	Upper Air Management Agreement	746	545	(201)	(27)
324	Shipping Reg/Licenses	268	61	(207)	(77)
15	Intl Shipping Licenses	15	10	(5)	(33)
32	Liquor Licensing	30	42	12	41
173	Tattslotto Grants	120	140	20	16
2	Censorship Fees	10	2	(8)	(76)
1,173	Circulating Currency- Coins	909	284	(625)	(69)
-	Employers Liability	75	-	(75)	(100)
456	Motor Vehicle Dealers	5	3	(2)	(44)
-	Gain on Forex	0	3,235	3,235	0
-	Other Misc Revenue	120	83	(37)	(31)
<b>21,691</b>		<b>19,405</b>	<b>29,504</b>	<b>10,099</b>	<b>52</b>

\*In the 2016/17 budget a policy was established whereby CIG would seed the new sovereign wealth fund with extraordinary revenues that were not budgeted for. Revenue generated from fishing fines and vested assets in the table above will be set aside into this fund once legislative changes are in place.

**Figure 1**  
**General Government Revenue – 2015/16 Actual and 2016/17 Budgets and Actual (\$000)**



**Figure 2**  
**Net Operating Revenue Trends**

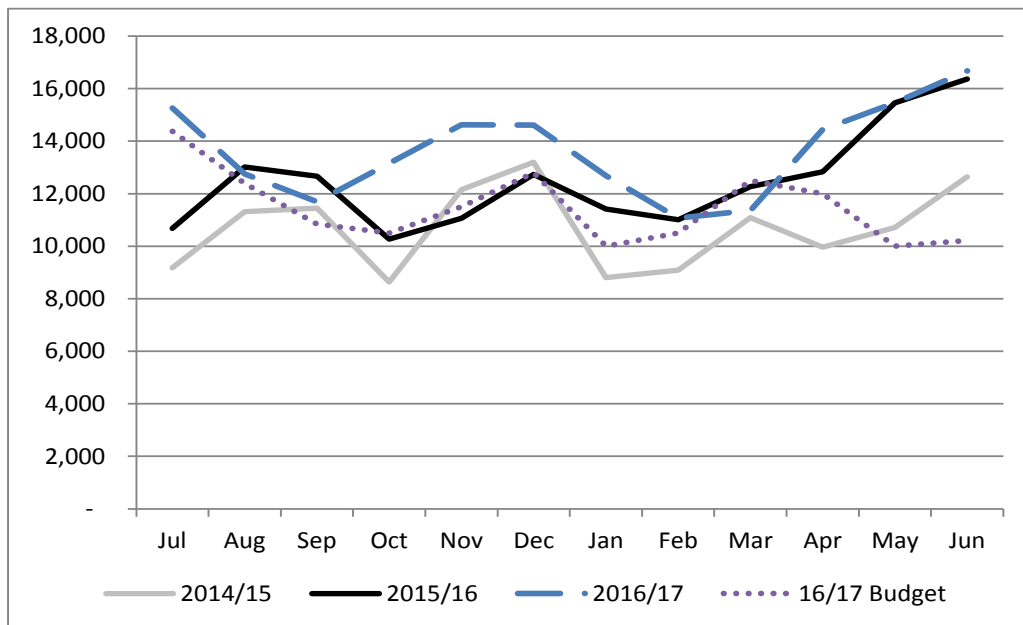


Figure 2 shows that the trends over the previous two financial years of operating revenue and against the 2016/17 budget are quite consistent and significant increase on prior years and budget, mainly from taxes revenues.

# General Government Expenditure Analysis

## Payments on Behalf of Crown (POBOCs)

Table 6

### Payments on Behalf of Crown – June 2017 YTD

2015/16 Actual (‘000)	Administering Ministry	POBOC	Budget (000)	Actuals (000)	Variance (000)	%
<b>Compensation of Employees</b>						
42	Cook Islands Investment Corporation	Infrastructure Committee	75	42	33	43
	Cook Islands Investment Corporation	Est of an SOE to manage Consortia on Deep Sea				
66		Minerals Harvesting	130	73	57	44
136	Finance & Economic Management	Parliamentary Superannuation	180	135	45	25
84	National Environment Service	National Heritage Trust	82	82	0	0
-	Finance & Economic Management	Public Sector Strengthening -processes and systems MFEM	329	54	275	84
37	Audit	PERC Salaries and Administration Costs	43	39	4	9
30	Internal Affairs	Price Tribunal	30	30	0	0
-	Justice	Projects to bring land records up to date	120	120	0	0
179	Justice	Judges Allowances	177	128	49	28
2,018	Parliamentary Services	Civil List - Personnel	1,975	1,987	(12)	(1)
296	Parliamentary Services	House of Ariki	176	227	(51)	(29)
-	Public Service Commission	HOM's Salaries	1,229	1,209	20	2
177	Cook Islands Investment Corporation	School Security	100	196	(96)	(96)
56	Transport	Director of Civil Aviation	56	56	0	0
<b>3,122</b>			<b>4,702</b>	<b>4,378</b>	<b>324</b>	<b>7</b>
<b>Use of Goods and Services</b>						
96	Audit	Audit Fees	96	96	(0)	0
737	Cultural Development	Te Maeva Nui Constitution Celebrations	723	569	153	21
32	Cook Islands Investment Corporation	Hosting Te Maeva Nui participants at schools	0	0	0	0
772	Education	Tertiary Training Institutions	760	760	0	0
30	Finance & Economic Management	Audit of Crown Accounts	30	30	0	0
-	Finance & Economic Management	Border Management System Maintenance	135	135	0	0
269	Finance & Economic Management	National Superannuation Fund	255	134	121	47
40	Finance & Economic Management	Standard and Poors Subscription	40	40	0	0
5	Foreign Affairs	Cook Islands Student Association	5	5	0	0
15	Head Of State	Domestic Hosting Entertainment	15	14	1	6
818	Health	Pharmaceuticals	668	1,068	(400)	(60)
100	Infrastructure and Planning	OI Unanticipated Breakdowns	200	194	6	3
498	Infrastructure and Planning	Waste Management	545	453	92	17
72	Internal Affairs	Lease extension	72	72	0	0
444	Internal Affairs	Vaka Maintenance	400	393	7	2
536	Parliamentary Services	Civil List - Operating Expenses	0	0	0	0
-	Parliamentary Services	Civil List - Constituency Visits	170	163	7	4
-	Parliamentary Services	Parliamentary Sitting Expenses	120	65	55	46
-	Parliamentary Services	QR & MP Travel and Allowances (local and overseas)	150	489	(339)	(226)
69	Parliamentary Services	PPAPD - FDOC Secretariat	52	57	(5)	(9)
315	Prime Minister's Office	Social Responsibility Fund	195	195	0	0
638	Prime Minister's Office	Self Government Golden Anniversary	0	9	(9)	0
8	Prime Minister's Office	Local Government Elections	0	1	(1)	0
1	Police	Search and Rescue	20	0	20	100
144	Police	Serious Crime Investigations	50	141	(91)	(182)
0	Police	Te Kukupa - Biannual Slipping	150	151	(1)	(1)
86	Police	Te Kukupa - Fuel Contribution	140	138	2	1
21	Police	Youth Program	45	39	6	14
5,100	Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,500	5,500	0	0
5	Prime Minister's Office	Returned Services Association	5	10	(5)	(95)
86	Prime Minister's Office	Community Development Fund	100	91	9	9
-	Foreign Affairs	IMO - Maritime Cook Islands	63	63	0	0
65	Environment	E-Waste Collection	0	0	0	0
<b>11,002</b>			<b>10,704</b>	<b>11,075</b>	<b>(371)</b>	<b>(3)</b>

<b>Subsidies</b>						
121	Education	University of the South Pacific Contribution	285	123	162	57
5,118	Finance & Economic Management	Air New Zealand - Subsidies	9,500	9,106	394	4
1,362	Finance & Economic Management	Apex - Profit Guarantee	1,500	1,267	233	16
-	Finance & Economic Management	Provision for Inter Island Shipping	500	18	482	96
-	Finance & Economic Management	Subsidy of audio/visual broadcasting in Pa Enua	45	40	5	12
-	Cook Islands Investment Corporation	Bank of the Cook Islands - social assistance subsidy	120	120	0	0
-	Cook Islands Investment Corporation	Airport Authority subsidy	2,048	2,048	0	0
-	Cook Islands Investment Corporation	Ports Authority - subsidy	110	0	110	100
-	Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380	0	380	100
<b>6,601</b>			<b>14,488</b>	<b>12,722</b>	<b>1,766</b>	<b>12</b>
378	Education	Government Funded Scholarships	741	438	303	41
750	Health	Patient Referrals	550	740	(190)	(35)
234	Health	Nursing School	234	255	(21)	(9)
195	Health	NCD Fund	195	195	0	0
16,287	Internal Affairs	Welfare Payments	16,782	16,888	(106)	(1)
0	Justice	Legal Aid	40	0	40	100
<b>17,844</b>			<b>18,542</b>	<b>18,517</b>	<b>25</b>	<b>0</b>
<b>Other Expense</b>						
-	Cook Islands Investment Corporation	Establishment and implementation of a water utility for Rarotonga	100	0	100	100
2,147	Education	Private School Funding	2,147	2,147	(0)	(0)
121	Finance & Economic Management	Pacific Catastrophe Risk Insurance	121	0	121	100
467	Foreign Affairs	International Subscriptions	597	596	0	0
199	Marine Resources	Establishment of Fisheries Development Facility	200	200	0	0
89	Marine Resources	Fisheries Development Facility in the Pa Enua	100	100	0	0
	CI Seabed Minerals Authority	Establishment of Seabed Minerals Authority	0	0	0	0
220	Internal Affairs	CISNOC Grant	220	235	(15)	(7)
-	Finance & Economic Management	CICC Mission Training Center Construction Grant	0	150	(150)	0
290	Internal Affairs	NGO and Welfare Organisations	281	56	225	80
1,091	Finance & Economic Management	New coins production	370	1	369	100
1	Prime Minister's Office	Temporary Structure Auditorium	0	0	0	0
-	Finance & Economic Management	2017 Baseline Funding for National Census	250	190	60	0
519	Prime Minister's Office	Te Maeva Nui Transport Costs	0	0	0	0
22	Parliamentary Services	Ui Ariki Day	0	0	(0)	0
<b>5,167</b>			<b>4,385</b>	<b>3,675</b>	<b>710</b>	<b>16</b>
<b>43,736</b>	<b>Grand Total</b>		<b>52,821</b>	<b>50,367</b>	<b>2,454</b>	<b>5</b>

The overall saving in POBOC expenditure (5 per cent) was mainly attributed to the Air New Zealand underwrite (\$0.39 million), Apex Toa Profit Guarantee (\$0.23 million) and Provision for Inter Island Shipping (\$0.48 million).

Welfare payments were in line with budget for the quarter ending June 2017.

**Table 7**  
**Welfare Payments - June 2017 YTD**

2015/16		2016/17	2016/17	Variance	
Actual		Budget	Actual	('000)	%
('000)		('000)	('000)		
<b>Legislated Payments</b>					
2,713	Child Benefit	2,655	2,720	(65)	(2)
200	New Born Allowance	200	243	(43)	(22)
11,883	Old Age Pension	12,110	12,243	(133)	1
420	Destitute & Infirm Persons Payment	528	531	(3)	(1)
127	Govnerment Paid-Maternity Leave	150	116	35	23
<b>Non-legislated Welfare Payments</b>					
251	Caregiver's Allowance	367	303	64	17
279	Christmas Bonus	277	278	(1)	(0)
142	Funeral Assistance	170	148	22	0
69	Power Subsidy	79	80	(0)	(0)
66	Special Assistance	100	89	11	11
137	BCI Transaction Fee	147	139	8	6
<b>16,287</b>	<b>Total Welfare Payments</b>	<b>16,782</b>	<b>16,888</b>	<b>(106)</b>	<b>(1)</b>

## Appropriation Analysis

Table 8

### Ministries, Agencies & Ministerial Office Appropriation Analysis June 2017 YTD

Actual 2015/16 (‘000)		Budget 2016/17 (‘000)	Actual 2016/17 (‘000)	Variance (‘000)	%
42,508	Personnel	39,619	38,096	1,523	4
16,136	Operating	13,429	13,900	(471)	(4)
2,240	Depreciation	2,846	3,091	(245)	(9)
5,556	Trading Revenue	4,311	5,777	1,466	34
<b>55,328</b>	<b>Net Appropriation</b>	<b>51,583</b>	<b>49,310</b>	<b>2,273</b>	<b>4</b>

#### Personnel

Personnel Expenditure for June 2017 quarter was \$1.52 million (4%) lower than budget estimates. The contributing factor for the variance to budget estimates was mainly from Ministries' vacancies particularly, Ministry of Education, OPM and Audit Office who have a number of positions and delay in filling these existing and new vacancies. Of the 33 Ministries that reported on their personnel, 28 Ministries under spent and 5 overspent.

#### Operating

Operating Expenditure for June 2017 quarter was higher than budget estimates \$0.47 million (4%). Ministry of Health contributed to this due to their high medical consumables and electricity expenses. Ministry of Police exceeded their operating budget as a result of stationery, repairs & maintenance and kitchen supplies expenses mainly for the Kukupa. Education contributed with their numerous prepayments from prior years. 20 Ministries under spent and 13 overspent.

#### Depreciation

Depreciation expenditure was over budget for June 2017 by \$0.25 million (9%). Police had a very high overspend mainly from their donated assets now being captured in their books. 20 Ministries have under spent, 9 had gone over their budgeted amounts and 4 were within budget.

#### Trading Revenue

Trading revenue for June 2017 was \$1.47 million (34%) higher than budget estimates. Excess trading revenue was mainly from the Ministry of Finance through its overtime recoveries. Aitutaki Power Supply contributed with its high collection of power usage. Justice contributed mainly through its fees and increase of fees. Of the 16 Ministries with trading revenue, 12 have exceeded and 4 were under.

**Table 9**

***Pa Enuu (Outer Islands) Appropriation Analysis – June 2017 YTD***

<b>2015/16 Actual ('000)</b>		<b>Budget 2016/17 ('000)</b>	<b>Actual 2016/17 ('000)</b>	<b>Variance ('000)</b>	<b>%</b>
5,980	Personnel	5,910	4,850	1,060	18
1,548	Operating	2,193	2,167	26	1
1,199	Depreciation	1,081	1,041	40	4
1,243	Trading Revenue	1,031	1,235	204	20
<b>7,484</b>	<b>Net Appropriation</b>	<b>8,153</b>	<b>6,823</b>	<b>1,330</b>	<b>16</b>

**Personnel**

Personnel Expenditure for the June 2017 Quarter was \$1.06 million (18%) lower than Budget. Nine islands had savings with Aitutaki Island Administration having positions vacant while Penrhyn Island Administration continued to struggle with their overspend due to having more personnel employed over their annual personnel budget.

**Operating**

Operating Expenditure for June 2017 Quarter was \$0.03 million (1%), slightly under budget. Island administrations have been mindful of their operating expenses and worked within their budgets throughout the financial year.

**Depreciation**

Depreciation expenditure June 2017 quarter was \$0.04 million (4%) under budget despite expectation to exceed as the Islands are still slowly accounting for the Chinese Machineries into their Fixed Asset Register without an increase in the depreciation budget.

**Trading Revenue**

Trading Revenue actuals has increased by \$0.2 million (20%) over Budget. Three islands exceeded their trading revenue with Mauke having the most savings for the end of Financial Year due to an increase in hireage of machinery, boating and reefing and power account being up to date.

## Other General Government Operating Expenditure

**Table 10**  
**Other General Government Operating Expenditure**

2015/16 Actual ('000)		2016/17 Budget ('000)	2016/17 Actual ('000)	Variance ('000)	%
2,048	Airport Authority	0	0	-	-
120	Bank of Cook Islands	0	0	-	-
380	Te Aponga Uira	0	0	-	-
110	Ports Authority	0	0	-	-
1,798	Asset Management	1,800	1,800	0	0
2,571	Debt Servicing Interest	1,710	2,221	(511)	(30)
131	Contingency Funds - Operating	140	415	(275)	(197)
2,920	Crown Infrastructure Depreciation	3,682	3,682	-	-
150	Consessional Loan to Vanilla Farmers (BCI)	0	0	-	-
230	Cook Islands Primary Schools 50 year Saver	0	0	-	-
534	Public Sector Strengthening	0	0	-	-
50	Transfer to Emergency Response Trust Fund	604	604	-	-
515	Transfer to Reserve Trust Fund	548	548	-	-
2,490	Depreciation Contingency Reserve	2,362	2,362	-	-
-	Other Expenses	0	619	(619)	-
<b>14,048</b>	<b>Total Other Operating</b>	<b>10,847</b>	<b>12,251</b>	<b>(1,405)</b>	<b>(13)</b>

Other operating costs for the General Government sector were \$1.25 million (-13%) above budget for June 17 quarter. Greater repairs and maintenance and utilisation of contingency funds together with realised foreign exchanges losses during the financial year were the contributing factors to the variance to budget.

**Figure 3**  
**Net Operating Expenditure Trends**

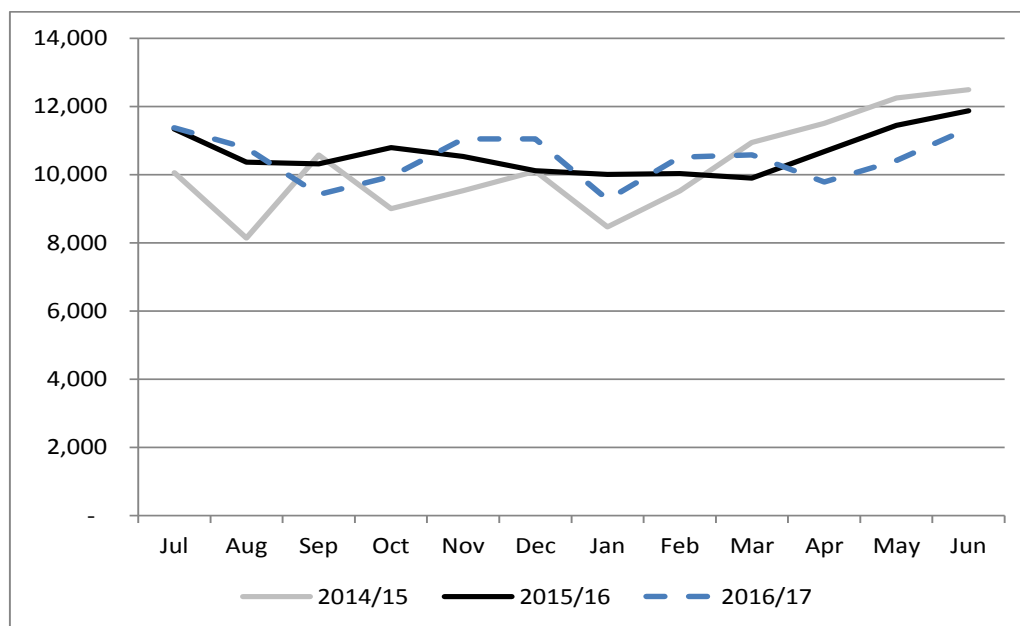


Figure 3 shows the trends over the previous two financial years of operating expenditure.



## Capital Expenditure

The table below summarises the June 2017 Capital Expenditure

**Table 11**  
**Capital Expenditure**

Ministry/Island	PROJECT/PROGRAMME	2016/17 (000)	Actual (000)	Variance (000)	%
<b>AITUTAKI ISLAND GOVERNMENT</b>					
Aitutaki	Aitutaki road sealing	823	745	78	10
Aitutaki	Establishing new water galleries	478	11	468	98
Aitutaki	Aitutaki Water Pumps (Vaipeka, Tautu, Vaipae)	0	0	-	
		1,301	755	546	42
<b>AITUTAKI POWER SUPPLY</b>					
Aitutaki	Streetlights for Aitutaki	63	0	63	100
		63	0	63	100
<b>COOK ISLANDS INVESTMENT CORPORATION</b>					
Rarotonga	Apii Nikao design, demolition, construction	384	87	297	77
National	Provision for land rent reviews	642	768	(126)	(20)
Aitutaki	Orongo Development Master Plan and Centre reconstruction (Ports Authority)	250	34	216	86
Pa Enua	Pa Enua Renewable Energy Projects-Land Acquisition	50	799	(749)	(1,499)
Pukapuka	Pukapuka Hospital Reconstruction	300	0	300	100
Pukapuka	Government House	26	5	21	81
Rarotonga	Vaikapuangi Government Building - design	180	0	180	100
Rarotonga	Vaikapuangi Government Building - construction	1,920	0	1,920	100
Rarotonga	Tereora College Stage 1 Works	300	298	2	1
Rarotonga	Te Mato Vai - Stage 1: road & pipeline easement & Stage 2 land acquisition for water intakes	750	0	750	100
		4,802	1,990	2,812	59
<b>EDUCATION</b>					
National	Fund to be Prioritised by Education	360	394	(34)	(9)
National	ICT upgrades (computers & laptops)	88	88	0	0
		448	481	(33)	(7)
<b>HEALTH</b>					
National	Fund to be Prioritised by Health for Technical Equipment	275	275	-	-
Rarotonga	Ultrasound Machine	160	128	32	20
Rarotonga	Medical Service Bed End Panels	310	260	50	16
Rarotonga	Theatre bed	0	0	-	
		745	663	82	11

Ministry/Island	PROJECT/PROGRAMME	2016/17	Actual (000)	Variance (000)	%
<b>INFRASTRUCTURE COOK ISLANDS</b>					
Atiu	Atiu Airport Runway Stabilisation	762	259	503	66
Atiu	Atiu Road Sealing	0	85	(85)	
Atiu	Atiu Tipper Truck	0	20	(20)	
National	Bitumen Truck	0	16	(16)	
Rarotonga	Bridges & Drainage	1,349	687	662	49
Mangaia and Pal	Cargo barge repair program for Palmerston &	100	35	65	65
Various	Outboard Motor replacement program	70	50	20	28
Various	Cyclone Centre Program	400	10	390	98
Rarotonga	Avatiu Valley Stream embankment	360	1	359	100
Rarotonga	Rarotonga Road Sealing Programme	2,000	1,850	150	7
Mangaia	Mangaia Road Sealing	250	228	22	9
Mangaia, Atiu, M	MHV Transport Trailer	180	68	112	62
Mangaia	HIAB (includes man cage & fork)	150	75	75	50
Mangaia	Central water project	125	113	12	9
Manihiki	Manihiki Island Airport Terminal - construction	60	4	56	93
Mauke	Medium Genset (42kVA)	20	26	(6)	(28)
Mitiaro	Manea Games Upgrade	100	77	23	23
Mitiaro	Water Upgrade	80	92	(12)	(15)
Penrhyn	Slasher	4	4	0	0
Penrhyn	Omoka Harbour Upgrade	250	0	250	100
Pukapuka	Upgrade of Airport terminal buildings	20	0	20	100
Pukapuka	Yato Cargo Shed Upgrade	8	20	(12)	(151)
Rakahanga	Large boat & outboard motor	100	76	24	24
Rarotonga	National Incinerator Feasibility Study	120	102	18	15
Pa Enea	Pa Enea Machinery Shelters	0	187	(187)	
Rarotonga	Project City Stage 3 - ADB ERSP	0	206	(206)	
Rarotonga	Project City Stage 3 - Retention fund	206	0	206	100
Rarotonga	Road Network Maintenance	630	627	3	0
Rarotonga	RSA Cemetery Rock Wall	0	117	(117)	
Rarotonga	Rutaki Foreshore Rock Revetment	120	0	120	100
National	Sanitation Upgrade Programme	1,780	1,162	618	35
Rarotonga	TMV Titikaveka backroad ringmain pipeline	127	0	127	100
Rarotonga	Water Network Maintenance	500	468	32	6
		9,871	6,665	3,205	32
<b>INTERNAL AFFAIRS</b>					
Rarotonga	Vaka Maintenance Capital Projects	50	50	-	-
		50	50	-	-
<b>MARINE RESOURCES</b>					
Rarotonga	Central Laboratory	500	0	500	100
		500	0	500	100

Ministry/Island	PROJECT/PROGRAMME	2016/17	Actual (000)	Variance (000)	%
<b>INFRASTRUCTURE COOK ISLANDS</b>					
Atiu	Atiu Airport Runway Stabilisation	191	0	191	100
Atiu	Atiu Crusher	0	0	0	
Atiu	Atiu Road Sealing	0	0	0	
Atiu	Atiu Tipper Truck	0	0	0	
National	Bitumen Truck	0	0	0	
Rarotonga	Bridges & Drainage	337	10	327	97
Mangaia and Palmerston	Cargo barge repair program for Palmerston & Mangaia	25	0	25	100
Various	Outboard Motor replacement program	18	20	-3	-17
Various	Cyclone Centre Program	100	0	100	100
Rarotonga	Avatiu Valley Stream embankment	90	0	90	100
Rarotonga	Rarotonga Road Sealing Programme	500	0	500	100
Mangaia	Mangaia Road Sealing	63	2	60	97
Mangaia, Atiu, Mauke	HV Transport Trailer	45	0	45	100
Mangaia	HIAB (includes man cage & fork)	38	0	38	100
Mangaia	Central water project	31	2	29	92
Manihiki	Manihiki Island Airport Terminal - construction	15	0	15	100
Mauke	Medium Genset (42kVA)	5	0	5	100
Mitiaro	Manea Games Upgrade	25	14	11	42
Mitiaro	Water Upgrade	20	0	20	100
Penrhyn	Slasher	1	4	-3	-
					299
Penrhyn	Omoka Harbour Upgrade	63	0	63	100
Pukapuka	Upgrade of Airport terminal buildings	5	0	5	100
Pukapuka	Yato Cargo Shed Upgrade	2	0	2	100
Rakahanga	Large boat & outboard motor	25	20	5	18
Mangaia	Mangaia Water and Roads	0	0	0	
Manihiki	Manihiki Harbours	0	0	0	
Rarotonga	National Incinerator Feasibility Study	30	24	6	21
Pa Enea	Pa Enea Machinery Shelters	0	5	-5	
Rarotonga	Project City Project Management Unit	0	0	0	
Rarotonga	Project City Stage 3 - ADB ERSP	0	0	0	
Rarotonga	Project City Stage 3 - Retention fund	51	0	51	100
Rarotonga	Road Network Maintenance	158	200	-42	-27
Rarotonga	RSA Cemetery Rock Wall	0	20	-20	
Rarotonga	Rutaki Foreshore Rock Revetment	30	0	30	100
National	Sanitation Upgrade Programme	445	603	-158	-36
Rarotonga	TMV Titikaveka backroad ringmain pipeline	32	0	32	100
Rarotonga	Water Network Maintenance	125	30	95	76
		2,468	956	1,512	61
<b>INTERNAL AFFAIRS</b>					
Rarotonga	Internal Affairs Tipper Truck	0	0	0	
Rarotonga	Vaka Maintenance Capital Projects	13	0	13	100
		13	0	13	100
<b>MARINE RESOURCES</b>					
Rarotonga	Central Laboratory	125	0	125	100
		125	0	125	100

Ministry/Island	PROJECT/PROGRAMME	2016/17	Actual (000)	Variance (000)	%
<b>MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT</b>					
National	Banking payments system	600	0	600	100
Rarotonga	Rarotonga Watertank Subsidy - ADB ERSP	0	58	(58)	
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	6,308	958	5,349	85
		6,908	1,016	5,892	85
<b>OFFICE OF THE PRIME MINISTER</b>					
Atiu	Atiu Power Distribution	395	252	143	36
Atiu	Atiu water distribution mains	280	278	2	1
Pa Enea	Renewable Energy - Capital works	11,784	8,194	3,590	30
National	Government IT Network	40	36	4	11
National	Computers and Printers	50	41	9	18
National	Renewable Management Project Management and Support	200	0	200	100
		12,749	8,802	3,947	31
<b>MINISTRY TOTAL</b>					
Capital Funds Administered BY MFEM		350	225	125	36
National	Capital Distribution Fund	240	0	240	100
Pa Enea	Outer Islands Small Capital Fund	110	135	(25)	(23)
	<i>Aitutaki</i>	16	15	1	3
	<i>Atiu</i>	12	11	1	6
	<i>Mangaia</i>	12	12	0	3
	<i>Manihiki</i>	10	10	0	1
	<i>Mauke</i>	10	10	0	1
	<i>Mitiaro</i>	8	45	(37)	(458)
	<i>Palmerston</i>	10	10	0	1
	<i>Penrhyn</i>	12	12	0	3
	<i>Pukapuka-Nassau</i>	12	4	8	70
	<i>Rakahanga</i>	8	7	1	7
		700	361	314	45
<b>GRAND TOTAL</b>		<b>38,136</b>	<b>20,783</b>	<b>17,327</b>	<b>45</b>

The variance in capital expenditure is thought to be mainly due to timing of spend and the ability to contract for services to date in addition to delays in Te Mato Vai Stage Two project and the expenditure of CIG budget for the Renewable Energy –Capital works will only be utilized after donor funds are expended.

## State Owned Entities (SOEs)

The table below summarises the March 2017 performances of Cook Islands Investment Corporation (CIIC), Airport Authority, Bank of the Cook Islands, Ports Authority and Te Aponga Uira. It should be noted that the budget figures below represent the respective internal budgets of the SOEs. The appropriations approved to SOEs by Parliament are the social responsibility contributions of government.

**Table 12**  
**SOEs Appropriation Analysis – June 2017 YTD**

2015/16 Actuals ('000)		Budget 2016/17 ('000)	Actuals 2016/17 ('000)	Variance	
				('000)	%
9,152	Personnel	11,088	9,695	1,393	13
21,690	Operating	21,229	23,269	(2,039)	(10)
7,952	Depreciation	6,830	7,178	(348)	(5)
38,777	Trading Revenue	38,466	42,687	4,221	11
<b>17 Net Activity Cost (Surplus)</b>		<b>681</b>	<b>(2,546)</b>	<b>3,227</b>	<b>474</b>

### Personnel

Personnel expenditure for June 2017 was \$1.39 million lower than Budget estimates (13 per cent). Existing vacancies are yet to be filled.

### Operating

Operating expenditure for June 2017 was \$2.04 million higher than the Budget estimates (-10 per cent). Land rental reviews payments, professional service costs and maintenance costs contributed to this variance.

### Depreciation

Depreciation expenditure was \$0.35 million higher than the budget (-5 per cent). This was mainly driven by Airport Authority's previously impaired assets being reinstated to its previous valuation.

### Trading Revenue

Trading revenue in March 2017 quarter was \$4.22 million higher than the Budget estimate (11 per cent). Te Aponga Uira and Airport Authority both reported better than budget trading revenue.

## Crown Borrowings

The Crown's gross borrowing at June 2017 quarter was \$95.47 million, a decrease of \$2.13 million from the March 2017 quarter. The decrease was attributable to the principal repayments of \$1.22, the favourable movement in exchange rates against the New Zealand Dollar (NZD) of \$1.07 million and offset by the variable drawdown of the Renewable Energy Project of \$0.15 million and China Loan \$0.01 million.

The exchange rates movement for this quarter are shown in the following table:

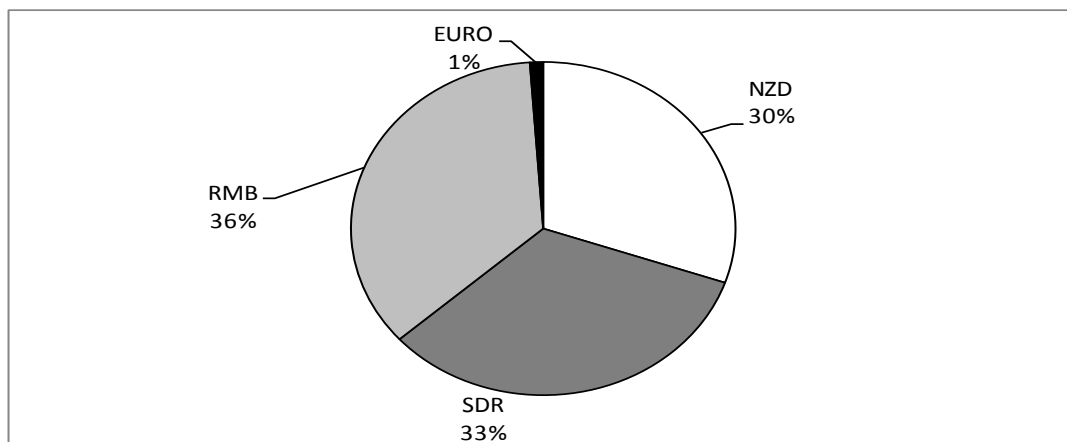
**Table 12**  
**Average Exchange Rates Used**

Foreign Exchange Currency	30-Mar-17	30-Jun-17	Changes
	Average	Average	
EUR	0.6354	0.6403	0.0049
USD	0.7101	0.7326	0.0225
CNY	4.8624	4.9575	0.0951
SDR	0.5152	0.5233	0.0081

The unrealised foreign exchange gain of \$1.07 million is largely the effect of the positive movement in the RMB of 36% and Special Drawing Rights (SDR) as about 33% per cent of the total government borrowing is denominated in RMB as illustrated in Figure 4.

Net borrowings by the General Government at this quarter were \$55.64 million, a \$1.68 million decrease from the March 2017 quarter. This decrease was attributable to the principal repayments of \$0.88, by the favourable movement in exchange rates against the New Zealand Dollar (NZD) of \$0.96 million and offset by variable drawdown of the Renewable Energy Project of \$0.15 and China Loan \$0.01.

**Figure 4**  
**Composition of Crown Debt by Currency**



Managing the exchange risk is an ongoing task for the Crown. Working closely with local banks and the services of Bancorp over the global exchange rates movement to accommodate its annual debt servicing plan is paramount to the Crown. Table 13 below summarised Crown's estimated debt position at June 2017.

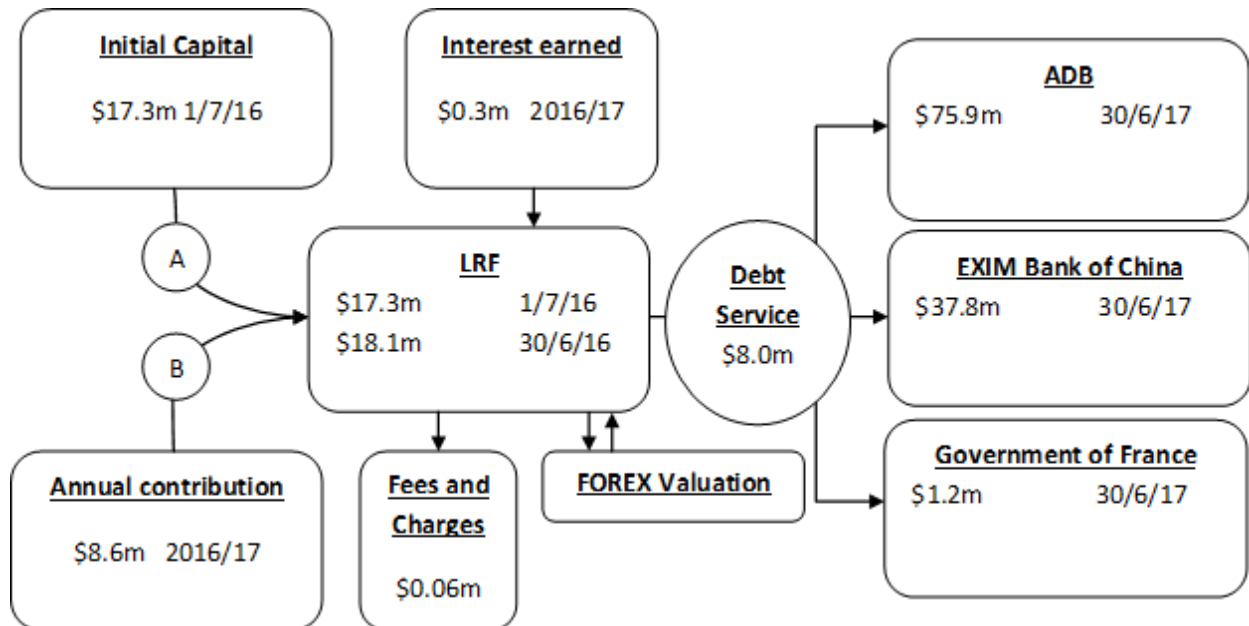
**Table 14**  
**Crown Borrowings – June 2017 YTD**

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	March 2017 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	June 2017 Balance ('000)	Change March 17 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	1,075	(240)	(8)	-	827	(248)
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	10,811	(457)	(301)	13	10,066	(745)
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	23,781	-	(36)	(2)	23,743	(38)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	354	-	(4)	-	350	(4)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	409	(39)	(3)	-	367	(42)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	1,616	-	(20)	-	1,596	(20)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	3,970	-	(50)	-	3,920	(50)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,045	(33)	(15)	-	997	(48)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	361	(11)	(5)	-	345	(16)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	397	-	(5)	-	392	(5)
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,423	-	(31)	-	2,392	(31)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,070	-	(27)	-	2,043	(27)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,704	-	(370)	-	4,334	(370)
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	810	-	(20)	-	790	(20)
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,092	(66)	(23)	-	2,003	(89)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,311	(32)	(43)	-	3,236	(75)
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,492	(112)	-	-	9,380	(112)
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	8,689	(185)	(105)	-	8,399	(290)
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,232	(48)	-	-	5,184	(48)
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	6,344	-	-	-	6,344	-
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	7,537	-	-	-	7,537	-
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	1,077	-	-	147	1,224	147
ANZ - Airport Authority	NZD	8,100	Apr-11	Apr-16	0	-	-	-	-	-
<b>Total Gross Borrowings</b>					<b>97,600</b>	<b>(1,223)</b>	<b>(1,066)</b>	<b>158</b>	<b>95,469</b>	<b>(2,131)</b>
<i>Total Loans with ADB</i>					<b>61,933</b>	(526)	(721)	147	<b>60,833</b>	(1,100)
<i>Total Loans with Other Sources</i>					<b>35,667</b>	(697)	(345)	11	<b>34,636</b>	(1,031)
<b>Total Gross Borrowings</b>					<b>97,600</b>	<b>(1,223)</b>	<b>(1,066)</b>	<b>158</b>	<b>95,469</b>	<b>(2,131)</b>
Less Loan Reserve					16,866	-	-	-	16,866	-
<b>Net Borrowing by the Crown</b>					<b>80,734</b>	<b>(1,223)</b>	<b>(1,066)</b>	<b>158</b>	<b>78,603</b>	<b>(2,131)</b>
Less Avatiu Port Development					23,413	(345)	(105)	-	22,963	(450)
Less ANZ - Airport Authority					0	-	-	-	0	-
<b>Net Borrowing by the General Government</b>					<b>57,321</b>	<b>(878)</b>	<b>(961)</b>	<b>158</b>	<b>55,640</b>	<b>(1,681)</b>

## The Crown Loan Reserve Fund (LRF)

In February 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act 2014 formally creating an LRF. The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilised for anything outside of debt servicing requirements. The LRF Act also ensures a framework for the prudential management of all sovereign public debt and ensures the timely allocation of money from the Budget for debt servicing.

**Figure 5 - Loan Reserve Fund movements 2016/17**



The LRF currently has sufficient funds to fully cover all debts owed by on behalf of SOEs to lenders. These SOEs include the Bank of the Cook Islands, Te Aponga Uira, and Telecom Cook Islands Limited.

The tender for the analytical services of the LRF was awarded to the New Zealand Company Bancorp, with transactional services and account management being awarded to ANZ in a competitive tender process. Bancorp's fees are outlined in the table below.



**Table 15 Loan Reserve Fund Statement**

	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Opening LRF balance</b>	<b>16,641</b>	<b>17,255</b>	<b>18,970</b>	<b>19,500</b>	<b>18,645</b>
Contribution to LRF principle	5,424	7,490	7,551	7,601	7,161
Contribution to LRF interest	2,246	1,888	1,897	1,905	1,863
Transfer in	7,670	9,378	9,447	9,506	9,024
Interest earned (avg 2%)	359	345	379	390	373
<b>Total transfer in</b>	<b>8,029</b>	<b>9,723</b>	<b>9,827</b>	<b>9,896</b>	<b>9,397</b>
Repayment of SOE debt	-	-	-	-	-
Principal	1,367	732	763	796	796
Interest	131	159	155	150	138
<b>Total repayment from LRF</b>	<b>1,498</b>	<b>892</b>	<b>918</b>	<b>946</b>	<b>934</b>
Repayment of other debt	-	-	-	-	-
Principal	3,733	4,366	5,399	6,956	7,276
Interest	2,123	2,690	2,920	2,788	2,619
<b>Total repayment other debt</b>	<b>5,857</b>	<b>7,056</b>	<b>8,319</b>	<b>9,744</b>	<b>9,895</b>
Other service fees *	60	60	60	60	60
<b>LRF stock balance</b>	<b>17,255</b>	<b>18,970</b>	<b>19,500</b>	<b>18,645</b>	<b>17,153</b>

The table above illustrates the movements in the LRF in the next five years. The transfers into the RF have increased from \$8.029 million in 2015/16 to \$9.723 million in 2016/17 due largely to movements in exchange rates and the rescheduling of some debt payments. This transfer is divided into two components: a debt interest obligation (\$1.888 million) and a debt principal repayment (\$7.490 million); these are the estimated required payments into the LRF and are complimented by retained interest revenue of \$0.345 million.

The LRF payments are smoothed in order to reduce the volatility to Government cash reserves from new debt obligations and exchange rate shocks. Therefore, the payments made into the LRF will not match the debt servicing profile. For example, despite the debt servicing profile peaking at \$10.3 million in 2020/21, the cost to the Government only peaks at \$9.9 million in 2018/19 due to the smoothing effect of LRF contributions.

The payments into the LRF then fall in a stepped manner as the current loan stock is repaid.

The transfers out of the LRF for principal and interest obligations are the estimated debt servicing requirements at the time of the Budget and will be subject to foreign exchange rate and debt drawdown variations.

## General Government Cash Reserves

General government cash reserves at the June 2017 quarter were \$55.89 million, an increase of \$9.52 million from the March 2017 quarter.

**Table 16**  
**Cash Reserves – June 2017 YTD**

	Sept 16 Qtr ('000)	Dec 16 Qtr ('000)	Mar 17 Qtr ('000)	June 17 Qtr ('000)	Change Mar 17 Qtr ('000)
Total Term Deposit at the Bank					
Westpac	14,011	17,206	3,261	7,833	4,572
ANZ	20,615	21,999	34,376	34,343	- 33
BCI	19,434	21,115	26,131	21,864	- 4,267
Total Term Deposit at the Bank *	54,060	60,320	63,768	64,039	271
Operational Capital - Public account	15,615	13,086	11,901	21,516	9,615
	69,675	73,406	75,669	85,555	9,886
Committed:					
Trust Fund General Reserve	2,911	2,911	2,911	2,911	-
Disaster Response Trust 1	1,663	1,663	1,663	1,663	-
Loan Reserve Fund 2	16,718	18,078	18,122	18,420	298
Trust Account Deposit 4	3,074	3,106	3,106	3,170	64
Carry Forward Contingency – OPEX 5	500	500	500	500	-
Working Capital 6	3,000	3,000	3,000	3,000	-
Total Commitment for this year	27,866	29,258	29,303	29,664	362
Estimated General Cash Reserve	41,809	44,148	46,367	55,891	9,524

\* - This does not include cash balances on the Ministry Operating Bank Accounts or Crown cash operating accounts.

<sup>1</sup> Disaster Response Trust – funds set aside for emergency response in the event of disasters

<sup>2</sup> Loan Reserve Fund – established in 2001 to hold SOE loan repayments to the Crown

<sup>3</sup> ADB USD 10 million loan – ADB Economic Recovery Support Program loan funds used to fund Project City

<sup>4</sup> Trust Account Deposit – funds held on behalf of Land Trust and Workers Compensation Trust

<sup>5</sup> Carry Forward Contingency – funds tagged for any carry forwards of operating expenditure

<sup>6</sup> Working Capital – funds tagged to cover overall Government cash flow requirements

## **OFFICIAL DEVELOPMENT ASSISTANCE (ODA)**

Official Development Assistance for 2016/17 was appropriated an annual ODA expenditure at the value of \$60 million reflecting an increase of \$11 million compared to the annual budget appropriated for 2015/16 which \$49 million. This reflects shift in existing programmes to the forward years as well as the inclusion of new ODA programmes. Estimated spend as at June 2017 is reported at \$31,388,725 million representing a 52% spend against the total budget for 2016/17. These includes programmes under 3<sup>rd</sup> Party spends and new ODA programmes. Note delays in significant capital projects such as Te Mato Vai, Apii Nikao, and Sanitation Programme have resulted in lower ODA spend in 2016/17 which is beyond the control of the Development Coordination Division however we should see an increased spend in 2017/18 and outer years as the projects are rolled out. Updates have only been provided on projects that have exceeded the \$150,000 threshold. More details of other projects can be found in Budget Book 1, Appropriation 2017/18.

### **ODA Graduation**

The Government, noting the pivotal and integral role ODA has in country development, established a working group and commissioned technical assistance in order to address the validity of the Cook Islands' ODA graduation. A technical team was engaged to produce a work paper which was presented to OECD on 20<sup>th</sup> June 2017, highlighting concerns for using Gross Domestic Product (GDP) as a proxy for Gross National Income (GNI). A representative presented the working paper to the DAC Working Party on Statistics (WPStat) to highlight concerns and reservations in using GDP as a means of measure making referencing to gaps in existing data. The WPStat committee agreed with points raised and supported the proposal to include this as an Agenda Item for DAC scheduled for 10 July 2017. Outcome of this meeting will be provided in the 1<sup>st</sup> Quarter report for the 2017/18. It is envisaged that the outcome will provide a transition period for the Cook Islands to generate and formulate its GNI data Series.

### **Development Partners Meeting**

The Development Partners meeting which was scheduled for October 2017 has been deferred until a way forward has been identified to address ODA graduation. In the interim, the Cook Islands will continue working through appropriate diplomatic channels to maintain its current relationships with its development partners.

A summary of significant ODA programmes and projects are provided below with more details provided towards the end of this chapter.

## **NEW ZEALAND PROGRAMMES**

### **Cook Islands Core Sector Support**

A progress report has been submitted to New Zealand highlighting progress against agreed upon milestones set out in the Grant Funding Arrangement (GFA) for Outputs 1, 2 & 3. The report reflects targets being met if not surpassed in certain areas while a few require time to reflect results. The second milestone payment has been drawn down and transferred as direct budget support for the departments of Health, Education and tourism. Output 4 – TA component although it reflects minimal spend for 2016/17, projects approved in 2016/17 due to procurement timelines will incur the expenditure in the 2017/18 fiscal year.

Total spend for the Core Sector as at June 2017 is \$8,382,485.

## **Cook Islands Core Sector Support – Output 4 Programmes**

### **Revenue Management System Phase 4 – CUSMOD**

The project is still in progress and with second milestone payment to be released upon the confirmation of the technical specification by MFEM this is likely to be completed in August 2017.

Funds of \$391,251 have been received from New Zealand for the milestones 1 & 2 per the contract, with the first payment issued at \$228,230.

### **Financial Management Information Systems**

Following on from the March quarter report, the FMIS project is well underway and is currently still on schedule, with a few potential bidders being invited to demonstrate their products to MFEM and Tender team in the early weeks of July. Contract award and signing is still scheduled for September and will be reflecting a significant spend towards the core sector TA funding pool.

### **Audit House Keeping TA**

Applicants for this TA will be evaluated in the first few weeks of July 2017. And it is envisaged that once the preferred applicant has been nominated, MFEM will work alongside the TA and the Audit office in identifying priority list of agencies that will require assistance immediately. Addressing the Audit issues remains a priority for Government and it is envisaged that this TA will assist in providing recommendation on how Audit reviews, planning and programmes can be improved.

### **Asset Management Registry TA**

This still remains a priority for the Government, the current TOR is currently being reviewed by Infrastructure Cook Islands in order to account for their requirements. It is hoped that this project will commence as soon as the TOR is agreed upon by all stakeholders.

### **Tereora College Redevelopment (Phase 1)**

#### **Executing Agency: Cook Islands Investment Corporation**

The building envelope of New Zealand's 50<sup>th</sup> anniversary gifts to the Cook Islands are near complete. Construction of the Technologies Centre and Student Research/Administration buildings are well on track for the finishing phase to begin in September. Construction is still within the timeframes specified and within budget.

All external block work at the Technologies centre is complete, including 90% of the internal timber framing. All precast panels have been placed, and 95% of the floor slabs have been cast. The remaining section will be poured once installation of all plumbing and electrical services are complete. All precast panels have been landed. Installation of aluminium window and door frames is scheduled to commence this week. Contractors have placed all structural steel for the roof and are currently in the process of installing the roof underlay at the Student Research/Administration building. The roofing iron at the Technologies building was placed over the weekend, giving contractors more shelter to continue working under.

Of the 10.85m grant from NZ, CIGov has received 4.05 million, this was received in 2015/16. A further 5.75 million has been received in 2016/17, with the remaining 1.05 million to be received in 2017/18.

ODA spending to date is \$8.5m for construction of building and associated works and components (furnishing, equipment, utilities, landscaping, etc).

## **Manihiki Lagoon Clean-Up**

### **Executing Agencies: MFEM, MMR and Manihiki Island Government**

The Pacific Divers Ltd (PDL) were awarded the Tender Contract in December 2016. The Manihiki Lagoon clean up activity was expected to commence in early February however, due to shipping delays of equipment the project was rescheduled to commence 27<sup>th</sup> March. The projects' completion date is 11<sup>th</sup> August 2017.

To date, the Project panel (MFAT-NZ, MFEM-DCD, MMR) have received the progress reports for the month of June from both the Project Manager, Raymond Newnham Ora Moana Ltd and Contractor, Pacific Divers Ltd.

The waste removal work continues to exceed expectations and a total of over 175 tonnes of debris from the lagoon has been removed. The project is entering into the last six weeks of the project and have so far lost only one day to weather or mechanical failures.

The dive team have begun working on farms from the second list of abandoned farms. A delay in the shipping has meant that fuel stores are low but this has not impacted on the work programme yet. If the ship is delayed further, then the work programme will be re-ordered and the abandoned farms closest to Tukao will be cleaned in order to reduce fuel consumption.

Completion certificates for site establishment and the implementation of systems and procedures were finalised and copies have been provided to MFEM.

The Director of Pacific Divers Ltd will be in Manihiki to oversee the completion of the project and manage the extraction process. With the final day noted as 11<sup>th</sup> August, this day will include the refurbishment of the Vaine Tauhunu for return to the Manihiki Island Government (MIG). All equipment will be palletized for shipment back to Rarotonga. Shipping will also take place on the first available service after the 11<sup>th</sup> of August.

Total spend Total spend as at June 2017 is \$392,430.35 reflecting costings associated to Pacific Divers Ltd progress payments, Manihiki Island Government disbursements as per Outputs as well as Project Manager expense for services and return fares to Manihiki.

## **Ministry of Transport – Pacific Maritime and Civil Aviation**

### **Pacific Maritime Technical Assistance**

Work continued as per the agreed project plan and time lines. Some key work items completed by the TA in the March to June quarter included the following;

- Work with MoT staff to finalise the Cabinet Submission to enable the Cook Islands to accede to the Maritime Labour Convention (MLC)
- Final, facilitated review of International Obligations and service level agreements.
- Follow up on action items from IMOOC meeting
- Review and revise key policy / procedures to include in the QMS for MoT (maritime)
- Finalise report for risk profile workshop

As we are approaching the end of contract, focus is currently on ensuring the scope of the outputs expected does not expand. This has resulted in confirmation that a number of work items are now closed. A draft completion report will be provided by 30 June 2017, with the final report to be provided end August 2017.

Total spend as at June 2017 is \$246,374.

## **Cook Islands Civil Aviation Technical Assistance**

The Cook Islands Government through the Ministry of Transport (MOT) will continue in its efforts to improve our Civil Aviation Sector, through the implementation of recommendations made in the Cook Islands Corrective Action Plan (CICAP). A Contract has been signed, with Technical assistance scheduled to commence 3 July 2017 with the intention of addressing the recommendations for the CICAP

## ***EUROPEAN UNION PROGRAMMES***

### **EU Budget Support**

The European Union (EU) continues its Official Development Assistance via the budget support modality. The unfortunate delay in the implementation of sanitation upgrades resulted in the absence of funding in 2014/15, this has since been remedied with the CIG receiving the final tranche of the EDF 10 budget, EURO 1 million in October 2016. The 10th cycle of funding (EDF10) has now concluded with focus moving to the 11th cycle (EDF11) of funding to continue with its incentivized budget support to allocate funding using national systems up until the year 2020. The EU will continue its budget support under the 11th EDF with a continued focus on improving the Sanitation Sector.

Two submissions were made to the EU for Technical Assistance (TA) to be funded under the 10<sup>th</sup> EDF. The first TA proposal relates to interdisciplinary studies to be carried out on the Muri Lagoon area which commenced in early March 2017. The second TA is for feasibility studies to be conducted for a Centralised Laboratory on Rarotonga with work beginning in late March 2017. Both studies are to be carried out over the next few months and is expected to be completed in the new financial year.

DCD has sent a submission through to the EU for funding under the 11th EDF cycle. The focus of this submission is on upgrading commercial facility sewage systems on Aitutaki and Rarotonga to meet the Public Health (Sewage and Wastewater Treatment and Disposal) Regulations 2014. The submissions has been sent to Brussels for final consideration and approval.

There have been no spends for the Cook Islands under the Pacific Island Integration Technical Assistance Project (PITAP) for the quarter under the 10th EDF which is accessed from the regional indicative package. There is no specific country allocation. It is organized so that funds are expended on regional initiatives as EU recognizes that National Indicative Packages are available to Member States for national specific priorities. With the completion of the 10<sup>th</sup> EDF round, focus has now moved to the 11<sup>th</sup> EDF.

### **EU Partnership Multiyear Fisheries Policy Support**

This agreement for sustainable fisheries partnership includes an annual fisheries sector contribution of EURO350,000 by the European Commission under the 4 year protocol. The first tranche of the protocol was received by the CIG in December 2016. Bulk Funding for the 1<sup>st</sup> Quarter of the calendar year has been paid out to MMR to begin implementation of the Multiannual Programme Matrix.

To date, the Ministry of Marine Resources reports no spend.

## **EU-GIZ ACSE Northern Island Water Project Phase II**

The 35.5 million Euro regional European Union (EU) programme Adapting to Climate Change and Sustainable Energy (ACSE) is funded out of the 10<sup>th</sup> European Development Fund (EDF 10).

Under this regional programme, the EU-GIZ ACSE component is administered by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). It aims to enhance sustainable livelihoods in fourteen Pacific Island Countries and Timor Leste by strengthening the countries' capacities to adapt to the adverse effects of climate change and enhancing their energy security at the national, provincial and local/community levels.

The project aims to improve the resilience of Penrhyn, Nassau and Palmerston to natural disasters (including drought proofing) by increasing their capacity to collect, store and manage their precious water resources.

Total cost of project is \$400,000 Euro. Initial funds from GIZ were received in May 2016 however, there were delays in the recruitment of an In-country coordinator. This position was finally filled and confirmed in October 2016.

A Project Management Committee has been set up with Terms of Reference and has been endorsed.

The In-Country Coordinator (ICC) Taukea Raui previously visited the Northern Group (specifically Penrhyn, Manihiki, Rakahanga and Pukapuka) together with the Pa Enea Director as well as the Water Security component team of the Office of the Prime Minister (OPM). The main purpose of the visit was to carry out onIsland consultation as well as the implementation stage for some of the islands mentioned.

Stage two of the Northern Group Community Water Catchment and Storage Upgrade supply of materials is currently up for tender. The tender documents have been prepared by the Akairo Consultants Ltd. The scope of the request for tender consists of sourcing and supplying building materials for the islands of Nassau, Penrhyn and Palmerston. The supply and construction works will be carried out through a partnership relationship between the Office of the Prime Minister, Infrastructure Cook Islands, Island Governments and the Island Communities of the Northern Cook Islands.

Total spend as at June 2017 is \$21,295.42.

### **SECRETARIAT OF THE PACIFIC COMMUNITIES (SPC) PROGRAMMES**

#### **Cook Islands Household Income & Expenditure Survey**

The Statistics Office is almost at the end of field work data collection activities since the start of this one year survey in November 2015. Some delays experience during this quarter with data collection issues in Aitutaki and Manihiki. Rarotonga Field work supervisors have had to step in and assist with data audit checks required of field work supervisors from these two islands.

Data entry and verification of data collected is also in process and continues to be in collaboration with the Statistics Programme at SPC.

Total spend as at June 2017 is \$ 136,027.

## UNITED NATIONS ADMINISTERED PROGRAMMES

### **FAO Improved production, processing and marketing of agricultural produce**

For 2013-2017, this is the focus under the Pacific Multi Country Programming Framework (CPF) with the aim to improve agriculture produce supply chain and increase in households engaged in agriculture for own use and for sale. **To date, no monies have been spent** nor direct payment to suppliers from this grant. In the pipeline will be negotiations for priority areas for CPF funding for the next 5 years.

### **GEF Small Grants Programme**

The Cook Islands Global E GEF Small Grants Programme (SGP) was established in 2005 and until 2015 was part of the SGP Samoa. As of late 2014, The Cook Islands Red Cross Society now serve as the SGP host institution with the GEF SGP Cook Islands now a separate programme. This year's country programme strategy aims Operation Phase 6 (OP6) is to "effectively support creation of global environmental benefits and the safeguarding of global environment through community and local solutions that complement and add value to national and global level action". Focus of support for community based organised activities are on conservation of biodiversity, waste management, prevention of land degradation, capacity building and awareness programmes to address climate changes through community based support. OP6 budget funds are estimated at US\$250,000 with a remaining OP5 balance of US\$26,000. After a two year hiatus from sub regional issue beyond the control of the Cook Islands the following are community projects approved and/or in progress this period of have been completed for this period following endorsement by the GEF SGP Committee and approved by UNOPS.

### **Participation Programme (UNESCO)**

Every year, UNESCO provide the Cook Islands financial assistance through the Ministry of Education. To date, the Cook Islands have received a total of NZD109,510 and the funds have been allocated according to the following Participation Programmes.

- Cook Islands to attend the Pacific Festival to Guam which has been fully expended with the National Commission, the Ministry of Education is awaiting a completion report from the Ministry of Cultural Development, budget allocation \$27,447.82.
- Providing funding through the Ministry of Education for "woman as instigators of imene tuki" as a project to record the Imene Tuki. This has commenced with work starting on the recording and mastering of the CD, budget allocation \$27,166.67.
- Activity for the project on the Maungaroa National Heritage Site is well underway. The publication has been changed from print to DVD. There are still some further supplies to be purchased for securing work at the site however the delivery of this project is on schedule, budget allocation \$27,447.82.
- The project on Sexual Health for Youth is underway with CIFWA planning a series of workshops in Term 2 for teachers and then out to the community, budget allocation \$27,447.82.

All activities have until December 2017 to complete expected outcomes and expenditure and total spend as at June 2017 is \$109,510

### **Green Climate Fund Readiness**

The Cook Islands, specifically the Development Coordination Division (DCD), is seeking accreditation to the Green Climate Fund. A proposal was submitted in May 2017 following the successful accreditation of the Ministry of



Finance and Economic Management (MFEM) to the Adaptation Funds in June 2016. The accreditation will allow the Cook Islands Government direct access to climate change funding. This will allow in-country management and delivery of climate change adaptation and mitigation priorities as aligned with our national strategies, with the use of GCF resources.

The Cook Islands have been successful in accessing readiness support from the Green Climate Fund for the strengthening of the National Designated Authority, however the funding for this support comes to an end in August 2017. MFEM, in partnership with the Office of the Prime Minister (OPM), have submitted a second readiness support proposal to address three main outcomes;

- to continue to strengthen the National Designated Authority,
- to develop a Country Programme, and
- to support MFEM in gaining direct access to the fund.

The second readiness support proposal has been approved by GCF and disbursements will commence in 2017/18.

More importantly, the Cook Islands have also been successful in accessing \$12 million from the Green Climate Fund to finance more battery storage in Rarotonga, this is a great achievement and is the first funded project that the Cook Islands have benefited from the Green Climate Fund through the support of the Asian Development Bank (ADB).

### **UNDP Ridge to Reef**

The quarterly Biodiversity Steering Committee meeting was held in April whereby an update of all stakeholders involved with the Ridge to Reef programme provided their updates to members of the Committee.

Key activities involving the Pa Enua were continued over the Quarter 2 period. Continuous training and capacity building is key in the implementation of this project which also includes Government Ministries on island. Highlights over this period include the Post Graduate Study program through University of the South Pacific (USP) based in the Cook Islands, which will take place in July 2017. The Post Graduate certificate and Diploma courses have been developed with James Cook University and circulated to project stakeholders.

Other highlights include a meeting with Prime Minister Honourable Henry Puna held in January between MMR, National Environment Services (NES) Ridge to Reef (R2R), Marae Moana and House of Ariki (HoA). He reiterated the importance of collaboration between the different partners, for better coordination and avoid duplication of projects and activities dealing with the land and ocean as there are a lot of overlaps with other agencies.

The Ministry of Marine Resources (MMR) are in the process of recruiting two Marine (Scientists) Officers. To date their biggest expenditure is on capacity building of officers and renovation of office building.

The House of Ariki recently appointed a Rau'i Coordinator whom is on a six month probation to strengthen her understanding of traditional customs and Cook Islands Maori language.

The Ministry of Agriculture continue to be proactive in implementing work plans and utilising allocated funding.

Cook Islands Tourism (CIT) work program towards biodiversity conservation have commenced with local business Koka Lagoon Cruise whom have started up the Koka Lagoon Foundation Coral Planting Trust and support from R2R for their activities will assist them with coral rehabilitation and planting, monitoring and educating tourists and students with signage and brochures on their care, do's and don'ts in the Tikioki Rau'i

Marine Reserve area. Other key activities include the Mokoero Nui Reserve Eco Warriors project which was established to encourage young people on Atiu to protect and understand their nature reserve and sustain their viability. Expert local Bird Man George Mateariki aims to pass on knowledge and skills and build capacity of the younger generation through the establishment of eco-camping and biodiversity teaching modules.

Total spend as at June 2017 is \$607,526.17.

### **UNDP GEF Strengthening the Resilience of our Islands and Communities to Climate Change (SRIC)**

The SRIC-CC programme has been progressing extremely well. For the quarter, a total of **73** projects have been reported and **7** have been completed and handed over as listed below:

- 1) Mitiaro – Marine Community Fishing Boat Atai/Auta
- 2) Mitiaro – Marine Community Fishing Boat Takaue/Mangarei
- 3) Mitiaro – Agriculture Pig Farming
- 4) Mangaia – Signage Boards for Cultural Heritage, Tourism Sites, Education and Community
- 5) Mangaia – MGLAI Community Farmers Project
- 6) Mangaia – Rau Papa Replanting Tamarua
- 7) Mangaia – Rau Papa Replanting Oneroa

The SRIC-CC team have partnered with NES, BTIB, Miss Cook Islands Organizers and the National Cook Islands Police for a total of x6 workshops this quarter – P3D Model in Mauke, P3D Model in Mitiaro, BTIB Business Workshop in Mitiaro, BTIB Business Workshop in Aitutaki, Miss Cook Islands Organizers on Strengthening the Resilient of the Cook Islands to Climate Change and with the National Cook Islands Police to build/strengthen capacity, resilience for first responders to natural disaster and adaptation/disaster risk reduction in the C3 workshop.

The communications component of SRIC-CC has been extremely active through Media and Print, specifically via the Cook Islands Radio, Cook Islands TV and the Cook Islands Newspaper. SRIC-CC's reach on social media continues to exceed expectations this quarter compared to Q1. The summary to date of Social Media activity on Facebook is a reach of 95,236. The total likes are now currently 2,695 which is a great achievement.

Total spend as at June 2017 is \$1,411,755.

### **UNDP Nagoya Protocol**

A Cabinet submission to draft legislation on ABS and Information Paper on the Nagoya Protocol has been reviewed by NES Director and Project Manager with recommendations for further consultations (MFAL, OPM and MMR) and inclusions of the WIPO and Berne conventions. Public awareness visits to Mitiaro and Mauke have been delayed until the campaign and consultation aspects of the Nagoya Protocol on ABS framework has been completed and finalised.

Phase two of the corporate structure design is underway to enable additional benefit flows has been agreed upon with Koutu Nui President and deliberations held with Koutu Nui Executive.

An increase in Te Tika product sales and distribution will in due course increase economic activity related to the ABS. The Tourism Cook Islands Destination Marketing Partnership Memorandum of Understanding is also currently under discussion.

Direct payments from UNDP to implementing party Matheson Enterprises continues throughout this financial year with the first payment being made in December 2016. The direct payments will resolve issues with the USD/Local Currency exchange rates variances. Expenditure for this quarter included reimbursement for the project coordinator salary since December 2016 as well as direct payments from UNDP to Matheson Enterprise to date. There is one more year left for the implementation of this project.

Total spend as at June 2017 is \$354,692.11

### **UNDP National Biodiversity Planning – Support the implementation of the CBD 2011-2020 Strategic Plan in the Cook Islands**

Last year started the drafting of the first national report to the convention on Biodiversity by David Butler – the international consultant and overall NBSAP consultant based in New Zealand. The first draft report was received and fine tuned before it was circulated to members of the Steering Committee (SC) and stakeholders involved in producing the document.

The other consultancy that began last December for the environment an economic assessment was awarded to Te Ipukarea Society (TIS) and subcontractors from Australia. A second draft was received by NES and was reviewed by the international consultant before circulation to the wider group.

Block B consultancy commenced in the fourth quarter of last year on the Biodiversity Action Plan and Capacity Development Programme. The endorsement of this document was to be complete by the next Biodiversity Steering Committee meeting.

Part 1 production of video for project awareness was released to the public titled “Te Ao Ora Natura o te Kuki Airani – Cook Islands National Biodiversity”). Part 2 production of video on “Our People and our Biodiversity” is in production and will be released as the last promotional awareness in the last quarter of the NBSAP project.

The final NBSAP workshop was held on 14<sup>th</sup> – 16<sup>th</sup> June which also included reports from consultants Matilda Tairea and Maureen Hilyard and the Southern Group representatives. The main activities of the workshop was to particularly focus on Section 7: Action Plan and Section 8: Implementation Plan as well as the strategy as a whole. The Steering Committee will then consider the final version in a meeting to be held in July.

Total spend as at June 2017 is \$149,217.63.

### **UNDP Pacific Regional Ridge to Reef – Infrastructure Cook Islands (ICI)**

Infrastructure Cook Islands (ICI) have appointed Keu Mataroa as the Project Manager for the Pacific Regional Ridge to Reef project. He attended the Capacity Building and Orientation workshop which was held in Fiji. The Inception Report is still to be provided and the first quarterly report is due 05<sup>th</sup> April 2017 to South Pacific Commission (SPC). A Steering Committee is also to be finalised in order to endorse decisions proposed by the Project Manager on this project.

Total spend as at June 2017 is \$20,000.

### **UNDP Preparation of the Third National Communication under UN Framework Convention on Climate Change (UNFCCC)**

The National communications program has been progressing steadily under the guidance of Rima Moeka’a and James Kora. Both have been working closely with Celine Dyer.

The Third NATCOM program request for further funds has been successful this month (July) after vigorous application efforts from the team. The delay in funding had set the program six months behind. However positively the planned activities for the rest of the year can now be actioned.

The recruitment process for the greenhouse gas and mitigation was conducted and completed with the successful applicants appointed. This initially was supposed to start in June but due to the delay in funding this has been moved to September 2017.

The Third NATCOM team bids farewell to James Kora at the end of the month. His contribution to the Third National Communication has been valuable.

Presentation of the Third NATCOM update and the Coral Bleaching documentary was made to the stakeholders at the Platform meeting on June 9th by the programme coordinator.

### **World Health Organisation Technical Cooperation Biennium Budget Support**

Biannual funding to the Cook Islands is about US\$400,000 for 2016-17 calendar years. Human resources development including fellowships aligned to the Clinical Workforce Development Plan. Ongoing focus is also on activities towards non communicable diseases action plans, health promotion, nutrition and tobacco control towards implementation of National Health Strategy and the National Strategy and action plan for NCDs.

A review of the National Health Strategy is in the pipeline with emphasis on avoiding duplication of effort especially in the water and sanitation areas with WHO identified to provide technical assistance.

Ministry of Health June 2017 month financial report show year to date spend at \$374,550

### **INDIA GRANT FUND**

In Quarter 1, a total of USD\$690,846 (equivalent to NZD\$966,000) was granted for the 16 approved grassroots projects of India Grant Fund 2016/2017 Round. The main focal area of the grant funding from the Government of India is to support, promote, and/or develop social, economic and/or cultural and development cultural, economic and social development and sustainability. An additional prerequisite was the alignment to Te Kaveinga Nui Framework National Sustainable Development Plan 2016-2020.

The 2016/17 round addresses a variety of grass root community areas such as agriculture and fisheries development, disability support, sports development, assistance to community halls and clinics, road safety and infrastructure.

A training session was held at the Ministry of Finance and Economic Management (MFEM) to promote understanding of the India Grant Fund activities and expectations in the Cook Islands and their engagement. Training was also provided on the disbursement of funds process and reporting requirements from recipient of funds. It was the first time such a training had been conducted to ensure that the processes carried out is conducted in a fair, transparent and accountable manner.

The official handover ceremony of grant funding between the Government of India was represented by his Excellency, Vishvas Sapkal, High Commissioner of India and the Government of the Cook Islands, Prime Minister Honourable Henry Puna and Honourable Mark Brown, Minister of Finance.

Total spend as at June 2017 is NZD\$622,215.

### **KOREA GRANT FUND**

The Republic of Korea Government has allocated Official Development Assistance (ODA) through the Korean Small Grants Programme to the Cook Islands for amounts up to USD200,000 annually.

Under the current funding round for 2017/18, a proposal at the value of USD \$200,000 for a medical waste incinerator for the Rarotonga Hospital was submitted in February 2017 for consideration by the Korean Government. Proposal to Korean Embassy was unsuccessful; therefore annual application to this Grant was unsuccessful for the FY2016/17 with no funds expected for the rest of the fiscal year.

### ***CHINA PROGRAMMES***

The CIG hosted a Chinese delegation who conducted on-site inspections and feasibility study for maintenance and repairs work on the Ministry of Justice building, National Police Headquarters and Bluesky Sports Arena (formerly Telecom Sports Arena). The team was led by Mr. Yuan Wei which comprised of structural, architectural, electrical, heat & ventilation/air conditioning, water and sanitation experts and engineers accompanied by an interpreter.

The outcome of the visit saw the signing of the comprehensive list of contents for repairs and maintenance works on the three buildings between CIIC CEO Tutangata and team leader Wei.

On Friday 18 November 2016, the Economic and Technical Cooperation Agreement (ETCA) for renovations to the Ministry of Justice, but not limited to this project, was signed by High Commissioner Teremoana Yala on behalf of the CIG and the Chinese Ambassador Wang Lutong for the PRC to support the maintenance works at the value of RMB Yuan 20 million (approx. NZD \$4.2 million).

Ongoing discussions between CIIC, MFAI and the PRC to finalise the Letter of Exchange relating to the repairs and maintenance work on the Ministry of Justice building, National Police Headquarters and Bluesky Sports Arena continue with the hopes of signing in early 2017.

During his brief visit to the Cook Islands in November, Counsellor Zhang acknowledged that the Apii Nikao is the last of the major projects that China is involved with and encourages the CIG to identify other priority sectors that may require funding to keep the momentum of cooperation and good relations between the PRC and the Cook Islands.

### ***Apii Nikao Construction***

The Cook Islands Investment Corporation (CIIC) received draft preliminary designs for the Apii Nikao School in September 2016 and provided comments to the PRCs design team in October 2016 regarding amendments to the designs. The PRC design team arrived on Rarotonga in late November 2016 to finalise the preliminary design with CIIC. On 5 December 2016, the Apii Nikao Preliminary Design was approved by CIIC.

According to the timelines in the Implementation Agreement for the Apii Nikao Rebuild, with the approval of the preliminary designs now signed off, the project has moved to the Construction Design phase which is expected to take up to 4 months for the PRC design team and CIIC to prepare the construction drawings. A further month has been allowed for approving these drawings, before mobilisation begins.

### ***FORUM FISHERIES AGENCY (FFA)***

#### **Project Development Fund – US Fisheries Treaty**

The US Multilateral Treaty for fisheries includes an annual allocation of US\$150,000 per Pacific Island party development fisheries projects. Funds are held in trust by the treaty with FFA with direct administration by Ministry of Marine Resources. To date, the Ministry of Marine Resources was unable to provide updates to spend for this Grant.

### ***MULTILATERAL PROGRAMMES***

#### **Renewable Energy**

It is Government's ambition to increase power generation from renewable sources and enhance the government's institutional capacity for implementing the Cook Islands Renewable Energy Chart Implementation Plan (CIRECIP), 2012–2020, which sets a target of supplying electricity from renewable energy sources on all inhabited islands by 2020.

The goal of the Renewable Energy Programme Support is to establish a solid foundation for renewable energy sector development and operations in the Cook Islands.

New Zealand funding has been used for the construction of renewable energy infrastructure on Rarotonga and islands of the Northern Group and involves the installation of following renewable energy generation infrastructure.

This project is now completed.

### **The focus now moves to the Southern Group.**

The Renewable Energy Programme is in progress with the Cook Islands Renewable Energy Sector Project (CO046453-002) Phase 1 contract for Atiu, Mauke, Mitiaro, Mangaia, signed during this period with NETCON Limited of New Zealand. This is the major component of this project valued at NZ\$7.7 million and EU1 million.

The tender for the Rarotonga Battery Energy Storage (BESS) was completed this quarter and a contract should be signed early next quarter. This Project will be funded under the GEF6 for about NZ\$5.5 million.

An additional \$12mil Grant was agreed by the Green Climate Fund Board in December 2016 to implement 3 battery storage sites in Rarotonga. This grant will be processed through the budget process next financial year.

Total spend as at June 2017 is \$3,033,649.

### **Sanitation Upgrade Programme**

The Sanitation Upgrade Programme (SUP), which commenced following completion of the WMI, was designed to install up to a further 1,000 on-site systems on Rarotonga and Aitutaki. The SUP grant arrangement between the Governments of New Zealand and the Cook Islands was signed in June 2014, and the programme was expected to end on 30 June 2018. This \$18 million programme included funding from New Zealand (\$10 million), the European Union (\$4 million), and the Cook Islands (\$4 million).

The Sanitation Upgrade Programme was a continuation from the Muri Pilot Waste Management Initiative (WMI). The intention of the SUP was to continue with the installation of on-site effluent treatment systems beyond the Muri area. This work has continued but progress was slow.

The slow progress, and doubts about the impact of the programme led New Zealand to suspend its funding towards SUP from September 2015 and the EU to withhold a \$500,000 Euro payment. These issues and an extensive outbreak of algae and seaweed growth in Muri Lagoon in late 2015, led to a review the Muri Pilot Waste Management Initiative.

This review was commissioned and conducted in December 2015. The recommendations of this review were largely in accord with other reports and suggested that a reticulated collection, treatment and disposal system was the only effective way to completely remove domestic and commercial wastewater from the Muri lagoon environment. The report highlighted gaps in the on-site Sanitation Upgrade Programme which may be a contributor to the slow delivery of the programme. Cabinet accepted this report's findings and recommendation and directed MFEM to negotiate the redirection of funds with the development partners towards this end.

Following a request received from of the Cook Islands Government, NZ MFAT engaged Calibre Consulting in June 2016 to develop a plan to achieve Cabinets directives. Calibre has completed this work and broadly itemised two parallel work streams, (1) an institutional/organizational work stream, and (2) a technical work stream.

For the technical work stream, as a first step, Calibre identified that essential Project Preparatory Technical Assistance (PPTA) is required to be in a position to provide Cabinet with the additional information it has previously requested. Work to be carried out will include site investigations, full assessment of collection, treatment disposal options, cost benefit analysis and consultation with relevant stakeholders. This work will require a multi-disciplinary technical assistance package of support. It may be provided by one or multiple consultancies. The EURO500,000 EU technical assistance will be used to complete some of these activities. The work may take up to eighteen months to complete. A specific task to be completed in the PPTA phase is the development of an On-site Effluent Treatment Plan for Rarotonga and Aitutaki. Once this plan is completed, it will be possible to resume with a revised SUP programme if this delivers an acceptable impact on achieving the long term goal of the protection of public health and the environment.

Calibre recommended that work on the institutional/organisational work stream be completed in parallel but separate to the technical work stream. This work was considered equally important to ensure that there is a viable and sustainable institutional framework in place beyond the life of the project (technical work stream).

The clear delineation of the work streams allows specific focus onto each one. The technical work can be continued under the guidance of an expanded TMV PSG/PMU, while the essential institutional/organisational work is driven independently by the Cook Islands Government.

On 8 November 2016, Cabinet endorsed a proposal to establish a more effective approach to water and waste water (sanitation) planning and management. The existing Project Management Unit (PMU) for Te Mato Vai will incorporate the management of the Wastewater Project (currently the Sanitation Upgrade Programme). This new approach will bring together key government agencies under one governance structure and steering group enabling consistent government policy development and direction, more effective and broader community and industry consultation and access to finance for technical expertise not available within government agencies. The lessons learnt during the design and delivery of Te Mato Vai Project will strengthen this new approach. This approach is expected to provide a high degree of certainty and confidence to our communities and industry.

On 24 January 2017, the Government signed a contract with GHD Ltd New Zealand to provide Project Management Services for a) The TMV Project, b) Wastewater and Associated Service Programme (WASP), and c) State Owned Enterprise Establishment. The contract end date is 31 January 2019.

The environmental impacts of the growth in domestic housing and tourism development in Rarotonga and Aitutaki in our foreshore area are a major concern and need to be addressed urgently. The GHD team will lead this endeavour. The existing water quality data and bathymetry studies will be enhanced to support effective decisions making as well as the consultative process with the communities and general public.

As an immediate step, a full assessment of options to determine the most cost-effective and technically viable long-term solutions for the collection, treatment and disposal of wastewater on Rarotonga and Aitutaki is required. This preparatory work will commence immediately and is expected to take up to 18 months before construction commences.

Government recognises that in the interim period before effective systems are in place that address the treatment of our wastewater, decisions will be made to mitigate the environmental impacts of substandard systems. With

special reference to Muri lagoon, government will work within the law, and work with communities to develop interim solutions that minimise the environmental impacts on our lagoons.

The direction of the current onsite domestic system upgrade will be outlined in a detailed work plan under development to determine where the on-site treatment can be installed with maximum effect. A temporary pause to the on-site wastewater treatment upgrade on Rarotonga is required while this plan is being completed.

Developing an effective solution to managing our wastewater and its impacts on our environment, our communities and our economy is a complex process and government looks forward to undertaking this process in a participative and consultative manner based upon sound science in the best interest of all.

To this effect, GHD undertook stakeholder group meetings with the Muri community on 14 February 2017, and with stakeholders in Aitutaki from 22-24 February 2017.

Total spend as at June 2017 is \$444,239.

### **Te Mato Vai (TMV)**

The TMV project is the largest single infrastructure project in the Cook Islands since the construction of the international airport in Rarotonga in 1974. The project is broadly divided into two stages – Stage 1, the replacement of the ring main; and Stage 2, refurbishment of intakes and provision of storage, filtration and trunk mains. Stage 1 was delivered by the China Civil Engineering Construction Corporation (CCECC) and is almost complete.

Implementation of the TMV project is being managed by the Project Management Unit (TMV PMU) now led by GHD Ltd. The TMV PMU reports on the following activities:

#### **Stage 1**

The ring main pipeline construction works, carried out by the China Civil Engineering Construction Corporation (CCECC) is completed, and the defects period of 12 months has commenced. During this period, if there are any defects in the construction works, CCECC will remedy the defects found.

Another component of the stage 1 project is to commission the new ringmain, the ringmain carry's the water distributed from all of the intakes around the island. There are existing cross connections located around the island on the main and back roads at 1km intervals, these cross connections distribute water from the existing ringmain pipe line to the submain pipeline where everyone is connected on.

This commissioning project involves connecting the existing cross connections to the new ringmain, this project will involve disruptions to the existing water supply around the island. It is planned to commission the ringmain in 1km sections to minimise disruption to the existing system. It is expected the physical works will start in February 2017, but prior to the work starting in a particular section of Rarotonga, the public will be advised that disruptions will take place within that section.

#### **Stage 2**

Meetings were conducted with landowners of all 10 intakes that are to be upgraded for the Te Mato Vai project, the meetings were conducted from August to December 2016. The purpose of the landowner meetings was to seek agreements from the landowners to allow contractor's early site access to carry out survey works to complete the final designs. The consent form was originally drafted by legal services engaged and a representative from the Aronga Mana for Avana intake but was adopted for the other 9 intakes. The consent describes obtaining landowner consent for the design contractor's early site access to prepare detailed plans which will give the landowners full details of exactly what areas of land will be directly affected by that upgrade. That information will let owners of those areas, for themselves, make a fully informed decision whether to allow the work to proceed without objection; and whether to seek compensation for loss or damage suffered.



The consent also allows landowners to be present on site when the design and survey works are being carried out. Landowners will be advised to meet and discuss construction works, once the detailed designs and surveys are complete.

To date consents for early site access have been obtained from all intakes. Stage 2 work is scheduled to commence in May 2017.

The Cook Island and New Zealand Governments would like to thank all landowners that attended the landowner meetings and for allowing their consent to allow contractor's early site access to carry out survey works.

### **Special TMV Select Committee**

The Te Mato Vai Project Special Select Committee was established by Parliament in June 2016 to consider the grievances and concerns of the petitioners of the Te Mato Vai project in light of the existing status and progress of the project and to report the findings and conclusions of the Committee to Parliament by December 2016.

Committee meetings were held at Parliament Chamber on 24 & 27 October, 03, 10 & 23 November to discuss the petition and to hear presentations from the petitioners, landowner representatives, staff from CIIC, MFEM, NES and the TMV Project Management Unit. A final report of the Select Committee is expected to be presented to Parliament during the next quarter.

The staff from the different agencies dedicated their time to attend the committee meetings over the period but welcomed the opportunity to work with the Special Select Committee.

### **Aid Effectiveness**

The Aid Effectiveness budget is drawn from the interest earned on development partner trust accounts and is used by the MFEM to support the implementation of the official development assistance policy. The programme currently contributes to several projects including the following: annual meeting of development partners, development of Te Tarai Vaka, surge capacity to catch up and standardise Crown financial statements, training and set-up of project financial management software. The Aid Effectiveness funds was also utilised to commission a national consultant to prepare completion reports for programmes and the Islands submission of the Cook Islands assessment in accordance to the Global Partnership for Effective Development Co-operation Monitoring Framework. The framework assesses our country systems and measuring aid effectiveness principals as outlined in the ODA Policy 2015 of the Cook Islands in accordance to international standards.

An increased budget of 160,000 was allocated for the 2015/2016, and also to the 2016/2017 and 2017/2018 financial years. The Development Partners roundtable has been approved by cabinet shifting to biennially and is currently planned to fall within the 2016/2017 financial year, around late 2016.

Funding, in the interim, will also be allocated to support the new Finance Manager post within the Development Coordination Division, increasingly required within office to uphold fiduciary standards of ODA funds.

Total spend as at June 2017 is \$97, 287.

### ***NEW PROGRAMMES APPROVED FOR IMPLEMENTATION***

In August 2016, it was brought to the attention of the Development Coordination Division of the Ministry of Finance and Economic Management that several government agencies received funding from Donor partners to execute programmes in the financial year 2016/17. These new programmes were not included in the appropriation schedule for FY2016-17 due non inclusion in the annual budget process. Given that these omissions are less than 5% of the total appropriation for ODA, legal advice allowed for the implementing agencies to expend funds to ensure timely implementation of programmes and transparency in reporting of programmes already implemented but not captured in the ODA appropriation. The table below outlines ten new programmes and projects to be implemented. The programmes will formally be appropriated in Parliament during the supplementary budget process scheduled for the end of 2016 as the Appropriation Amendment Bill 2016/17.

Govt Agency	Project Name	Development Partner	Start Date	End Date	FY2016-17 Budget NZD <sup>1</sup>
MOCD	National Auditorium Indoor and Outdoor Sound Equipment	China	Jul-16	Dec-16	586,180
NES	HCFC Phase-out Management Plan for PIC Countries through Regional Approach Stage 1 Second tranche	MLF/UNEP	Jul-16	Jun-21	35,308
NES	Review and Update the National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants (POPs) in the Cook Islands	UN Environment Programme (UNEP)	2016	2018	76,831
NES	Pacific POPs Release Project	GEF/UNEP/SPREP	Jul-16	Jun-18	25,173
NES	Development of Minamata Convention Mercury Initial Assessment in Pacific	GEF/UNEP/SPREP	2016	2018	39,296
NES	Survey of ODS Alternatives at the National level in the Cook Islands	GEF/UNEP/SPREP	2016	2018	35,714
MFEM	RSA Cemetery NZ PDCT Project	New Zealand	2016	2017	50,000
MFEM	Grass Roots Grant Fund	Japan	2016	2017	316,724
	<i>The Project for the Upgrade of Avana Harbour</i>	<i>Japan</i>	<i>2016</i>	<i>2017</i>	<i>110,071</i>
	<i>The Project for the Improvement of the Fire Station in Teimurimotia</i>	<i>Japan</i>	<i>2016</i>	<i>2017</i>	<i>93,653</i>
MFEM	The Project for the Improvement of the Te Kainga Mental	Japan	2016	2017	113,000

<sup>1</sup> Exchange rate is based on rates provided by BSP dated 18.08.2016. USD conversion rate is 0.7647

<b>MFEM</b>	<b>Non Project Grant Aid</b>	<b>Japan</b>	<b>2016</b>	<b>2017</b>	<b>1,335,113</b>
<b>MFEM</b>	<b>JICA Training Program</b>	<b>Japan</b>	<b>2016</b>	<b>2017</b>	<b>124,993</b>
	<i>Project for Reinforcing Meteorological Training Function of FMS</i>	<i>JICA (Japan)</i>	<i>2016</i>	<i>2017</i>	<i>1,095</i>
	<i>JICA Training Program for Young Leaders/Local Governance Course</i>	<i>JICA (Japan)</i>	<i>2016</i>	<i>2017</i>	<i>33,151</i>
	<i>JICA Training Program for Basic Education science, maths, local governance and law and order</i>	<i>JICA (Japan)</i>	<i>2016</i>	<i>2017</i>	<i>90,748</i>
<b>MFEM</b>	<b>Germany Small Grants - Fire Station in Teimurimotia</b>	<b>Germany</b>	<b>2016</b>	<b>2017</b>	<b>14,400</b>
<b>Total</b>					<b>2,639,733</b>

## Glossary

Below are a list of terms which are mentioned at various points in this report and what they are for the purposes of this report:

### *Revenue*

Revenue is measured at fair value of the consideration received or receivable.

### *Revenue Levied Through the Crown's Sovereign Power*

Payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits; such revenue is received through the exercise of the Crown's sovereign power. Revenue arising through taxes is recognised when the taxable event occurs and when the criteria for recognition of an asset are met.

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
Individual Income Tax	When an individual earns income that is subject to PAYE or provisional tax. This also includes withholding taxes.
Company Income Tax	When the corporate community earns taxable income.
Value Added Tax	When the liability to the Crown is incurred. For example, the liability arising from sales in June being paid in July however recognised as revenue in June.
Customs levies	When goods liable to duty are assessed, except for Oil Companies which are accounted for when the liability to the Crown is incurred.
Departure Tax	When airlines remit the departure tax component of tickets sold.
Other Revenue	When the debt to the Crown arises.

### *Expenses*

Expenses are recognised when incurred and are reported in the financial period to which they relate.

### *Foreign Currencies*

Transactions in foreign currencies are translated into New Zealand dollar using the exchange rate on the date of the transaction. Foreign exchange gain and losses arising from these transactions are included in the Statement of Financial Performance.

Any monetary assets and monetary liabilities held at year end are translated at the exchange rate at the balance sheet date.

### *Aid Expenses*

Expenses are recognised when incurred on approved projects and are reported in the financial period to which they relate.

*Appropriation*

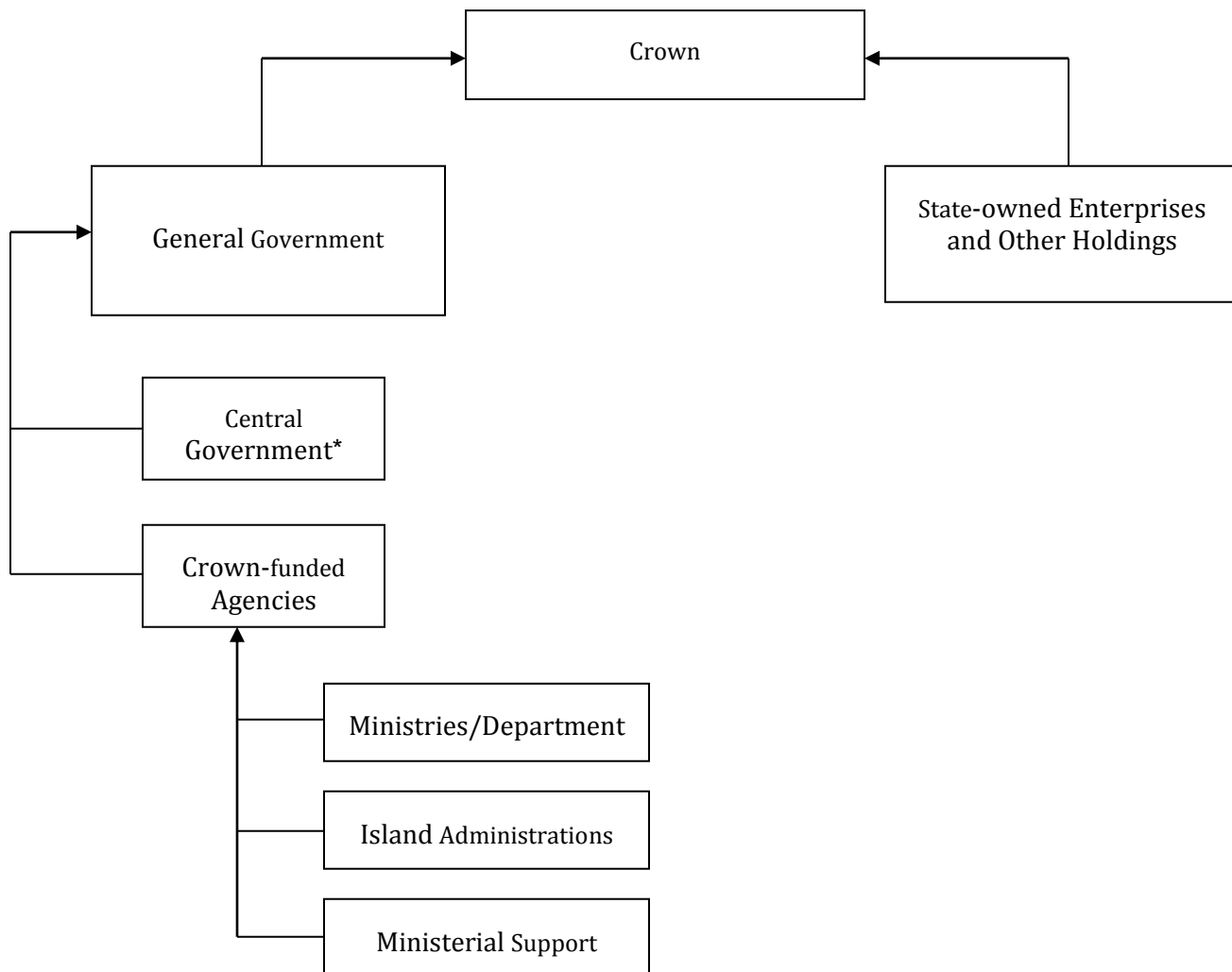
Appropriations are the funding-source provided by the Crown (as a Central Government entity) to allow the recipients (Crown-funded Agencies – see term below) to carry out their purposed operations.

*Crown-funded Agencies/Agencies*

These are recipients of funding via an appropriation. Crown-funded Agencies refer to ministries/departments, island administrations, and ministerial support offices.

*General Government*

General Government consists of Central Government and Crown-funded Agencies. It does not include State-Owned Enterprises or holdings in other entities (eg. Telecom). The diagram below shows how all relate.



\* Parliament and the Head of State are included in the Central Government section

