

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 31 March 2021 is now available.

Net Operating Balance and Fiscal Balance of General Government

1. Fiscal Balance General Government

March 2021 Quarter	Budget (\$'000)	Actual (\$'000)	Variance (\$'000)
Operating Revenue	94,035	112,948	18,913
Operating Expenditure	184,218	160,725	23,493
Net Operating Balance	-90,183	-47,776	42,406
<i>Add Depreciation</i>	8,071	5,300	2,771
<i>Less Capital Expenditure</i>	34,438	19,011	15,428
Fiscal Balance	-116,550	-61,487	55,063

Fiscal Balance

General Government's overall fiscal performance reported a shortfall in net fiscal balance of \$61.48 million, after taking into account spending on Capital items and corresponding depreciation cash inflow. The shortfall was lower than anticipated by \$55.06 million when compared against the budget estimates for the March quarter. The increase was due to higher revenue collection (up \$18.91 million), of which \$15 million pertains to a grant received from NZ Government, and lower spending in both Operating Expenses, (up \$23.49 million) and Capital Expenditure (up \$15.43 million).

Operating Statement

Total Operating Revenue reported an \$18.91 million higher collection against the budget estimates for the quarter. This was primarily due to a \$15 million NZ Government grant received to go towards the COVID-19 ERP followed by Vested Assets funds received from FSC of \$8.26 million, both were not included in the original appropriation. This was offset by taxation revenue reporting a \$3.48 million unfavourable variance in comparison to the budget estimate. The estimate for taxation revenue was reduced to almost 50% of the 2019/20 taxation revenue estimates, taking into account the impact of COVID-19 on taxation collection. Collection was unfavourable than expected despite stringent audits and collection activities during the period.

General Government operating expenditure reported lower actual spending by \$23.49 million against the budget estimates for the March quarter. This was attributed to the underspending in the Ministry/Pa Enuua operating expenditure (\$4.31 million), due to early payment of COVID-19 discounts and cost-sharing between different funded programmes, followed by an underspend in Administered payments of \$12.69 million, largely due to timing and processing of ERP expenditure, which the budget is expected to be further utilise within the last quarter, following Government's announcement to extend the Wage Subsidy up to June 2021. POBOC expenditure is on track against budget.

Spending on ERP*

ERP Measure	Full Year Revised Budget 2020/21	Forecast Actual YTD March 2021	Actual Vs Full Year Budget 2020/21
	\$'000	\$'000	%
Operating	1,353	679	50%
Fees Free Programme	1,065	800	75%
Air Rarotonga Pa Enea Subsidy	650	450	69%
SMART AgriTech Initiative	1,000	297	30%
SMART Economy Initiative	2,000	1,034	52%
Business Continuity Credit Facility (BCCF)	7,020	7,020	100%
Interest Relief	10,061	6,681	66%
Unemployment Benefit & Extension	387	309	80%
Emergency Hardship	45	21	46%
Wage Subsidy & Training Subsidy	46,736	33,093	71%
Business Grants	6,000	1,909	32%
Sole Trader Grants	4,000	2,010	50%
Training Grant	300	196	65%
Business Growth Loans	750	-	0%
Community Partnership Program	-	-	0%
	81,368	54,498	67%

* Current snapshot of the ERP programme. Next update will be available in the June 2021 quarter reporting (Final Quarter).

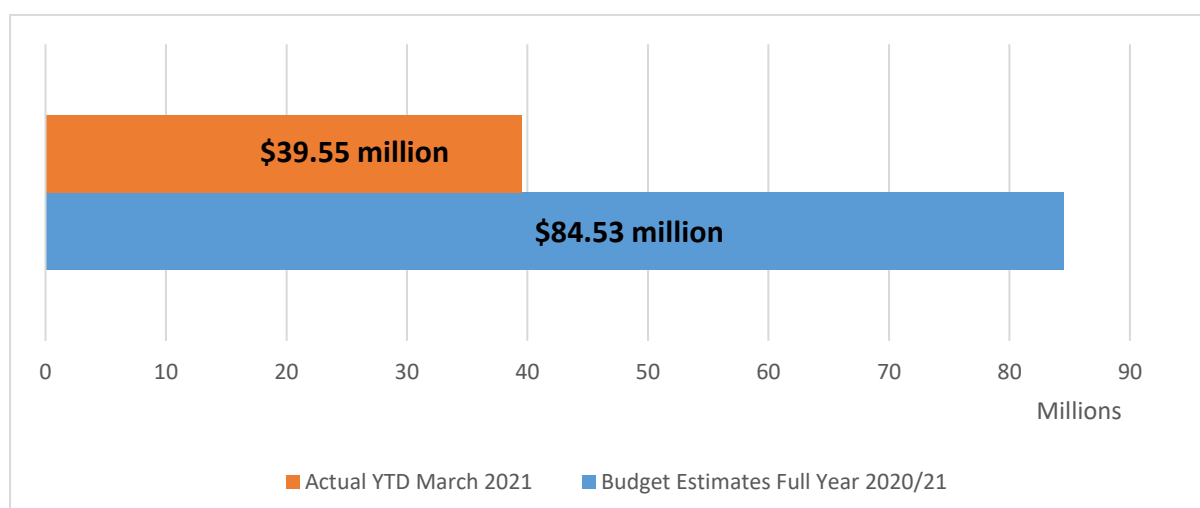
Capital Expenditure

March 2021 Quarter	Annual Budget (\$'000)	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)
Capital Expenditure	42,932	34,438	19,011	15,428
Total Expenditure	42,932	34,438	19,011	15,428

Spending on Capital budget was 44% by the end of the March quarter. This is a low utilisation considering the size of the annual budget and our capacity to implement projects before the end of June.

The low utilisation was due to the impact of Covid-19 on travel and the sourcing of resources overseas, which has interrupted the scheduled projects planned on both Rarotonga and the Pa Enea.

2. Official Development Assistance



Official Development Assistance (ODA) was appropriated at the total value of \$69.48 million in the 2020/21 Appropriation. An additional \$15 million grant was received from the NZ Government to go towards the COVID-19 Economic Response Plan (ERP), and \$1.45 million grant from ADB also towards COVID-ERP which brings the total revised ODA budget to \$84.56 million to date. These additional funds were not included in the budget.

The third quarter for the financial year 2020/21 reported a total spend of \$39.55 million year to date (YTD) or 47% in proportion to full year budget estimate. This is due to ongoing negotiations on priorities and the design of individual grant funding agreements given the impact of COVID-19. The remaining months of the financial year will continue to be monitored against budget.

3. Financial Position

General Cash Reserves

March 2021 Quarter	('000)
Operational Bank Accounts	33,645
Term Deposits and Trust Accounts	105,715
Total Cash Reserve Balance	139,360
<i>Less Total Claims on Cash Reserve</i>	-62,502
Total Estimated Cash Reserve	76,858

Estimated general cash reserve at the end of the period was \$76.86 million, this includes;

- \$15 million from NZ grant
- \$8.26 million from FSC vested assets
- \$30.41 million additional loan for COVID 19 Active Response
- \$15.68 million additional loan for Disaster Resilience Program (Phase 2)

Committed funds relates to funds set aside for specific purposes which includes the Reserve Trust Fund, the Loan Repayment Fund (LRF), infrastructure trust and other trust accounts.

The Stabilisation Account has been mobilized at the beginning of the year to support Government's Economic Response Plan (ERP).

Crown Debt

March 2021 Quarter	('000)
Total Gross Borrowings	175,816
Less Loan Repayment Fund	-13,945
Net Borrowing by the Crown	161,871
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	-36,007
Net Borrowing by the General Government	125,863

The total gross debt by the Crown for March 2021 period was \$175.82 million, an increase of \$28.48 million from the December 2020 quarter. The increase in debt level was mainly due to the new Loan 0461A of \$28.54 million that was fully drawn down in January 2021. This Loan is for Covid-19 Response and Economic Support.

Net Debt to GDP

Net Debt to GDP	Dec 20 Qtr	Mar 21 Qtr
	\$000	\$000
Net Borrowing by the Crown	131.27	161.87
Total GDP (Half Year Update)	429.20	429.20
Net Debt to GDP	30.58%	37.71%

The latest Net Debt as a per cent of GDP was 37.71% at the end of the March quarter. Net debt to GDP is forecasted to be 40.9%, surpassing government's hard cap target of 35% (soft cap: 30%), by the end of June 2021 financial year. This is a temporary departure from existing government policy as a result of debt financing requirements of the ERP.

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