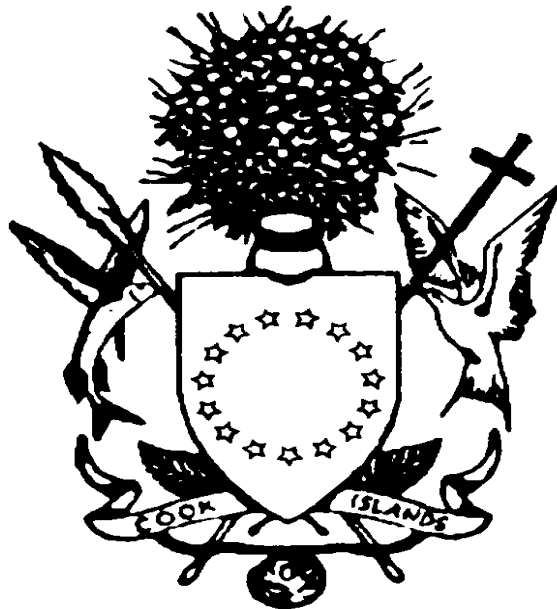

COOK ISLANDS GOVERNMENT
APPROPRIATION
AMENDMENT
2019/20



Hon. Mark Brown
Minister of Finance

March 2020

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OFFICE OF THE MINISTER OF FINANCE**

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23rd March 2020

STATEMENT OF RESPONSIBILITY

I have read the Financial Secretary's Statement of Responsibility and concur with him regarding the preparation of the 2019/20 Appropriation Amendment. Section 23 of the *Ministry of Finance and Economic Management Act 1995-96* requires the Government to pursue its policy objectives in accordance with the principles of responsible fiscal management and specifies these principles in Section 23 (2).

This Budget document was produced based on the best professional judgment that we have at this time. I accept the overall responsibility for the integrity of the 2019/20 Appropriation Amendment in compliance with the *Ministry of Finance and Economic Management Act 1995-96*.

Kia Manuia,

A handwritten signature in black ink, appearing to read 'Mark Brown', with a long horizontal flourish extending to the right.

Honourable Mark Brown
Minister of Finance



**MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS**

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23rd March 2020

STATEMENT OF RESPONSIBILITY

The 2019/20 Appropriation Amendment is produced in accordance with the *Ministry of Finance and Economic Management Act 1995-96 (MFEM Act)*.

In compliance with Section 24 (1) of the MFEM Act the Ministry provided Cabinet with the:

- Estimated revenue of the Crown;
- Details of each Government Department's bid for funds;
- Crown's debt management responsibilities;

Cabinet, as required under Section 24 (2) of the MFEM Act, are required to maintain the principles of responsible fiscal management set out in the Act.

The information in this document is comprehensive and includes a Statement of Fiscal Responsibility that clearly sets out the position in terms of fiscal responsibility as required in section 23 (2) (a) of the MFEM Act.

As Financial Secretary, I accept full responsibility for the integrity of the information provided.

Kia Manuia,

A handwritten signature in black ink, appearing to read 'G Henderson'.

Garth Henderson
Financial Secretary

1 Medium-term Fiscal Strategy

1.1 Introduction

This chapter assesses the estimates delivered in this Appropriation Amendment (in some cases referred to Supplementary Estimates in the charts) against the Fiscal Rules contained in the Government's Medium-term Fiscal Strategy (MTFS) for 2019/20 – 2022/23.

The Government's fiscal strategy states that the fiscal rules can be departed from on declaration of a state of emergency, or forecast economic growth below negative 2 per cent. Due to the impact of COVID-19 on the Cook Islands economy, the Government has revised down its GDP forecasts to negative 4 per cent, qualifying the Government for a temporary departure from the Fiscal Rules in order to release additional funding to be used to respond directly to the social and health impacts of COVID-19, and to implement an Economic Response Package (ERP).¹

In line with the MTFS, which encourages counter-cyclical fiscal policy, the Government is moving to an expenditure profile with a stimulatory effect, increasing funding to support both individuals and businesses in this Appropriation Amendment. It is expected that this expenditure profile will continue through the 2020/21 Budget, however the specific measures will be assessed continuously.

Substantial additional funding has been allocated to flexible funding sources within the Government's fiscal structure in order to provide for a vast range of health and economic responses to COVID-19. In addition, further funding has been allocated to Capital projects in order to engage the private sector. This is described further in the Fiscal Updates chapter.

1.2 Impacts of COVID-19 on Fiscal Policy

Coronavirus disease 2019 (COVID-19) is a respiratory illness that emerged in Wuhan, China in December 2019 when China reported cases of a viral pneumonia. On 30 January 2020, the World Health Organization (WHO) declared COVID-19 a Public Health Emergency of International Concern (PHEIC), and declared it a pandemic on 11th March 2020.

Demographics and the limited Intensive Care facilities within the Cook Islands indicate that a strategy of containment to delay the spread of COVID-19 within the community is appropriate to manage the impact on available resources.

The Ministry of Health is proactively implementing strategies to mitigate the possibility of cases within the Cook Islands and preparing response containment plans on the assumption that the virus will reach the Cook Islands. These strategies involve isolation and quarantine of individuals, with a requirement to quarantine in the Cook Islands on arrival. Additional measures implemented by New Zealand, and strongly supported by the Cook Islands Government, impose further restrictions on the cross-border movement of people.

These restrictions have directly impacted the tourism market in the Cook Islands with a reduction in tourist volumes projected in the last quarter of 2019/20, and expected to extend into 2020/21. With a tourism-oriented private sector this has had direct impacts on business viability and employment, and will have flow-on effects to Government Revenues.

Additional funding and resources, both consumable and strategic, are being made available to facilitate the effective response to the eventual arrival of COVID-19.

¹ The ERP can be found at mfem.gov.ck/economic-planning

The economic impacts necessitate a Government response which requires increased expenditure through social and economic support for both individuals and businesses in order to mitigate economic disruption in the short-term and position the Cook Islands for recovery once the acute impacts of the pandemic have passed.

In order to make the necessary additional funding available through the Appropriation Amendment the Government will temporarily depart from the Fiscal Rules described below. This allows Government to draw on financial reserves, including the Stabilisation Account, to strengthen our response.

1.2.1 Government Response – Fiscal Options

Departure from the Fiscal Rules

The Government may depart from the principles of responsible fiscal management specified in the Ministry of Finance Act 1995-96, and implemented through the Medium-term Fiscal Strategy only in cases of exceptional circumstances, and temporarily.

In order for this, either of the following conditions must be satisfied: *“The Government may breach these rules only in the event of a natural disaster (and subsequent calling of a state of emergency), or a severe economic shock (defined as real economic growth of negative 2 per cent or less).”*

This allows the Government to set aside the limits imposed by the Fiscal Rules in order to stimulate economic growth through additional spending programmes or capital projects. The Government believes the Cook Islands is currently experiencing such an economic shock.

Stabilisation Account

In the 2019/20 Budget a balance of \$56.7 million was transferred into the Stabilisation Account. The aim of the Stabilisation Account is to ensure fiscal sustainability over the medium-term. The Account holds surplus funds from operating expenditure in periods of economic growth, which will be used to fund government operations and investment in periods of economic contraction.

Should the Cook Islands experience a period of real economic contraction, defined as growth less than 1 per cent per year, funds can be drawn from the Stabilisation Account to fund government operations and investment.

Meeting the requirements for departure from the fiscal rules by definition meets the requirements to access the Stabilisation Account.

1.2.2 Appropriation Amendment Measures for COVID-19

Through this Appropriation Amendment the Government is redirecting existing agency operating and capital funding towards two flexible funds that may be accessed by Government agencies to prepare for and respond to the threat of COVID-19 being detected in the Cook Islands. These funds are:

- COVID-19 Medical Response Fund (including a Capital fund),
- COVID-19 Economic Response Plan.

Funding which has been redirected has been identified as unlikely to be expended or suitable to defer, and this therefore is expected to minimise impacts on existing Government operations and projects whilst releasing necessary funds.

Departure from the Fiscal Rules allows the Government to draw upon additional funds that have accumulated in the Government’s operating balance through strong revenues during the year to date, and the Stabilisation Account which was established in the 2019/20 Budget.

1.3 The MTFS and the Fiscal Rules

The MTFS was developed with the aim of smoothing Government expenditure over the course of the economic cycle. It outlines the Government's fiscal commitments over the medium-term, including the fiscal rules that the Government aims to achieve, economic forecasts and in turn, the expenditure profile.

The Government's Medium-term Fiscal Strategy is to deliver fiscally sustainable budgets. To achieve this the Government commits to:

- Adhere to the Fiscal Rules on debt, fiscal balance, expenditure growth and cash reserves.
- The development of, and appropriation into a Stabilisation Account and Sovereign Wealth Fund to ensure that excess revenues are saved for periods of economic downturn or natural disasters, and for future generations.
- An expenditure profile that is steered by the economic context, through the use of internal guiding principles.

The Government's fiscal strategy is underpinned by the following policy elements:

- Investing in infrastructure that will ensure the sustainability of economic growth and the resilience of the economy to climate change.
- Increasing revenue without increasing the tax burden on society, through economic growth and by ensuring that tax legislation is enforced in an equitable manner.
- Investing in the capabilities of Government Agencies to ensure they operate effectively and efficiently.

The Fiscal Rules that Government commits to are as follows, noting the temporary departure from these rules at the present time:

- Net debt rule: net debt should not exceed a soft cap of 30 per cent of GDP, and cannot exceed a hard cap of 35 per cent of GDP.
- Fiscal balance rule: the fiscal balance cannot exceed a deficit of 1.9 per cent of GDP.
- Expenditure rule: budgeted expenditure cannot grow by more than 4 per cent year-on-year.
- Cash reserves rule: the equivalent of 3 months of operating expenditure must be held in cash at any one time.

As outlined above, the Government is not adhering to the Fiscal Rules in this 2019/20 Appropriation Amendment, despite this, the Government's performance against the rules is outlined below.

1.3.1 MTFS Net Debt Rule

The Net Debt rule states that "Net debt should not exceed a soft cap of 30 per cent of GDP, and cannot exceed a hard cap of 35 per cent of GDP".

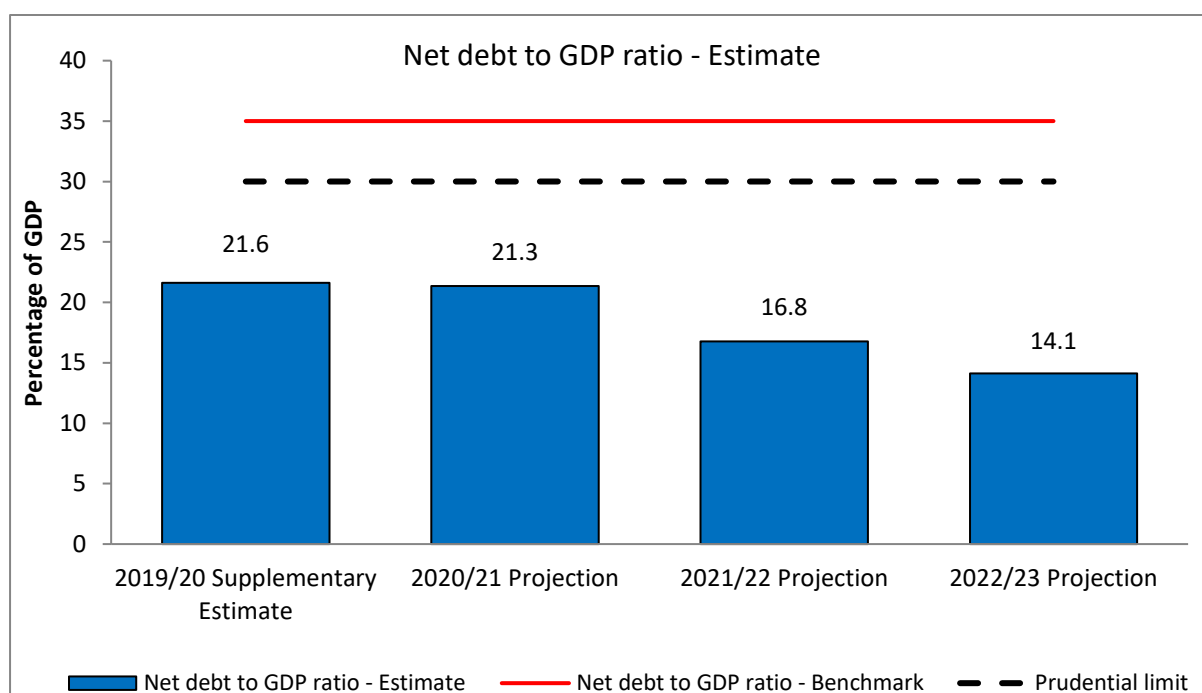
The rule has been selected as the fiscal anchor due to its ability to achieve the objective of fiscal sustainability, by providing an upper limit for fiscal slippages.

The fiscal anchor comprises of a soft and hard net debt target. In the Cook Islands context, net debt is defined as gross debt less funds held in the Loan Repayment Fund. The hard limit of 35 per cent of GDP provides a buffer for the soft target of 30 per cent, allowing space for exchange rate shocks or natural disasters.

The soft net debt target of 30 per cent of GDP has been used to develop the operational targets. This is based on evidence which suggests that debt levels greater than 30 per cent of GDP have a negative impact on economic growth in countries in the Asia-Pacific.²

The new expenditure profile does not require any new debt to be entered into at this time, however due to the predicted decrease in GDP the net debt profile (net debt as a per cent of GDP) as seen in Figure 1-1 will increase to 21.6 per cent in 2019/20, from 19.7 per cent in the HYEPU before continuing the downward trend. Based on cash projections, the Government will need to either restructure its expenditure or draw down on debt from 2021/22, this has not been considered in the figure below.

Figure 1-1: Net Debt Projections



1.3.2 MTFS Fiscal Balance Rule

The fiscal balance rule states that the fiscal balance cannot exceed a deficit of 1.9 per cent of GDP in any one year.

This is a nominal budget balance rule and imposes a limit on the headline fiscal balance. Nominal budget balance rules can be very effective in preserving debt sustainability by constraining overall expenditure in each year. However, as they are not adjusted for the economic cycle, they are limited in their ability to foster macroeconomic stabilisation.³ To address this short-coming, an accompanying internal operational guide has been developed to account for the economic cycle.

The fiscal balance rule is calculated so that if the Government repeatedly operated at a deficit of 1.9 per cent of GDP, over the long-term it would reach the net debt rule of 30 per cent of GDP. To avoid reaching the net debt rule, Government will aim to achieve surpluses during periods of economic

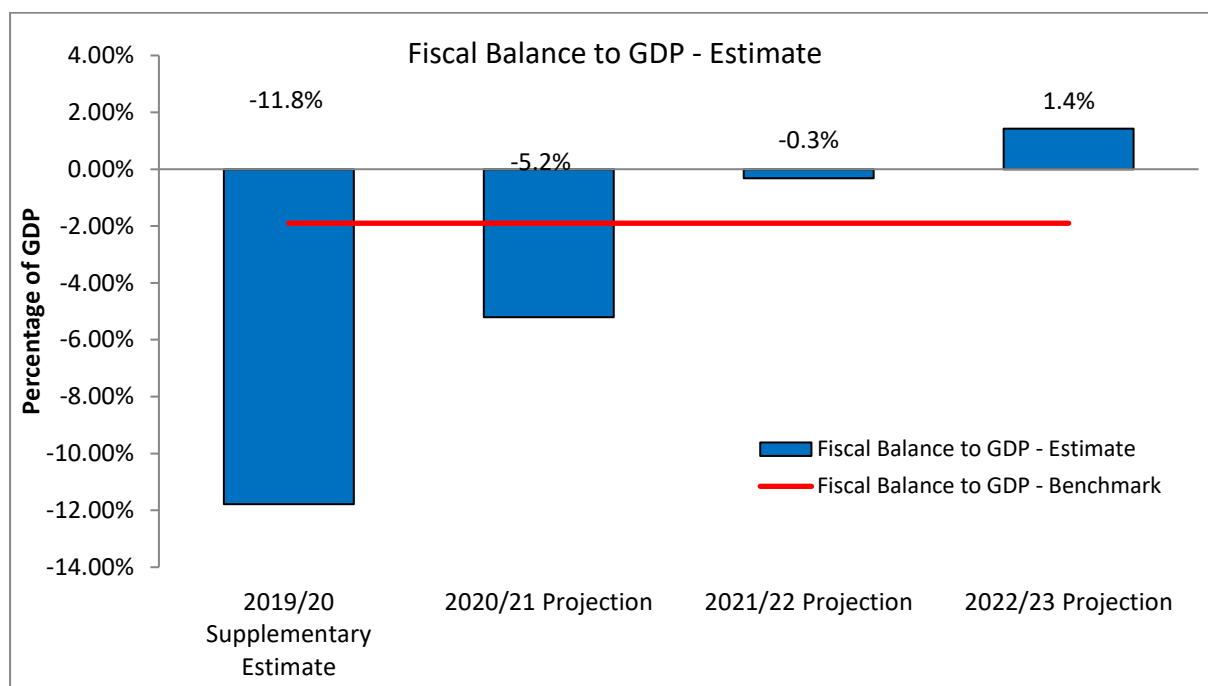
² IMF, 2015. Strengthening Fiscal Frameworks and Improving the Spending Mix in Small States. Asia and Pacific Department, International Monetary Fund, Washington D.C., June 2015: p.5.

³ IMF, 2018a. Fiscal Policy- How to select fiscal rules: a primer. Fiscal Affairs Department, International Monetary Fund, Washington. March 2018.

growth, to allow space for borrowing in periods of economic downturn. For further information on the calibration of this rule see the MTFS Technical Paper.

As shown in Figure 1-2 the Economic Response Package in conjunction with the revised GDP forecasts and revised revenue results in a fiscal deficit of negative 11.8 per cent of GDP, with a gradual recovery to a fiscal surplus forecast in 2022/23.

Figure 1-2: Fiscal Balance Projections



1.3.3 MTFS Expenditure Rule

The expenditure rule states that growth of total Cook Islands Government expenditure cannot exceed 4 per cent year-on-year. The 4 per cent is to be applied to total expenditure (operating and capital) appropriated in the prior year.

The expenditure rule is equivalent to the Cook Islands' long-run growth rate of potential GDP. This is based on the assumption that the 2018/19 Budget Appropriation was generally in line with the structural balance rule and that once in this situation, nominal expenditure should grow at the same pace as nominal potential GDP.⁴

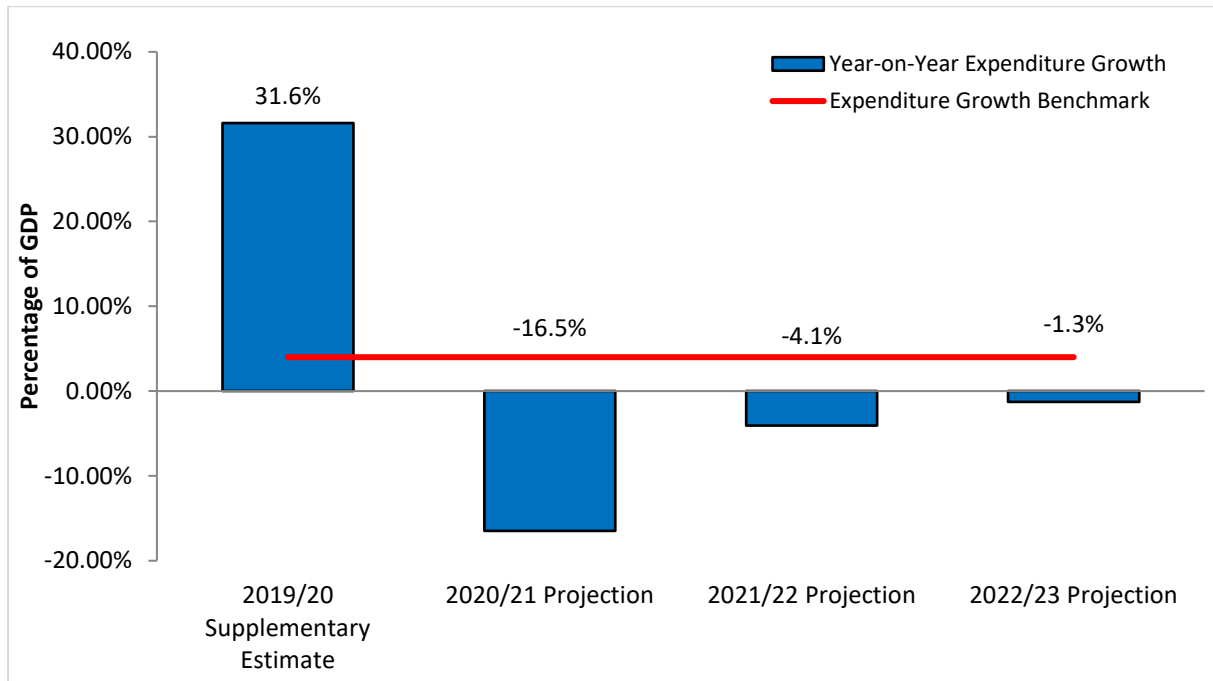
In accordance with the cyclically-adjusted balance, the expenditure profile is designed to provide additional expenditure space in each year, while ensuring that expenditure growth is not too strong. Noting the severe economic shock presently being experienced and the Government's ERP with its substantial increase in stimulatory expenditure to \$255 million, expenditure growth will increase by 31.6 per cent in 2019/20.

Expenditure decisions for 2020/21 and onwards will be determined through the 2020/21 Budget, hence the projections are distorted by the significant increase in 2019/20 as the projections continue to reflect the planned expenditures established in the 2019/20 Budget.

⁴ IMF, 2018b. Fiscal policy: How to calibrate fiscal rules – A Primer. Fiscal Affairs Department, International Monetary Fund, Washington D.C., March 2018.

As stated above, sustained expenditure at the revised 2019/20 level is unsustainable hence it is expected that negative expenditure growth will be reported in future.

Figure 1-3: Expenditure Growth Projections



1.3.4 MTFS Cash Reserves Rule

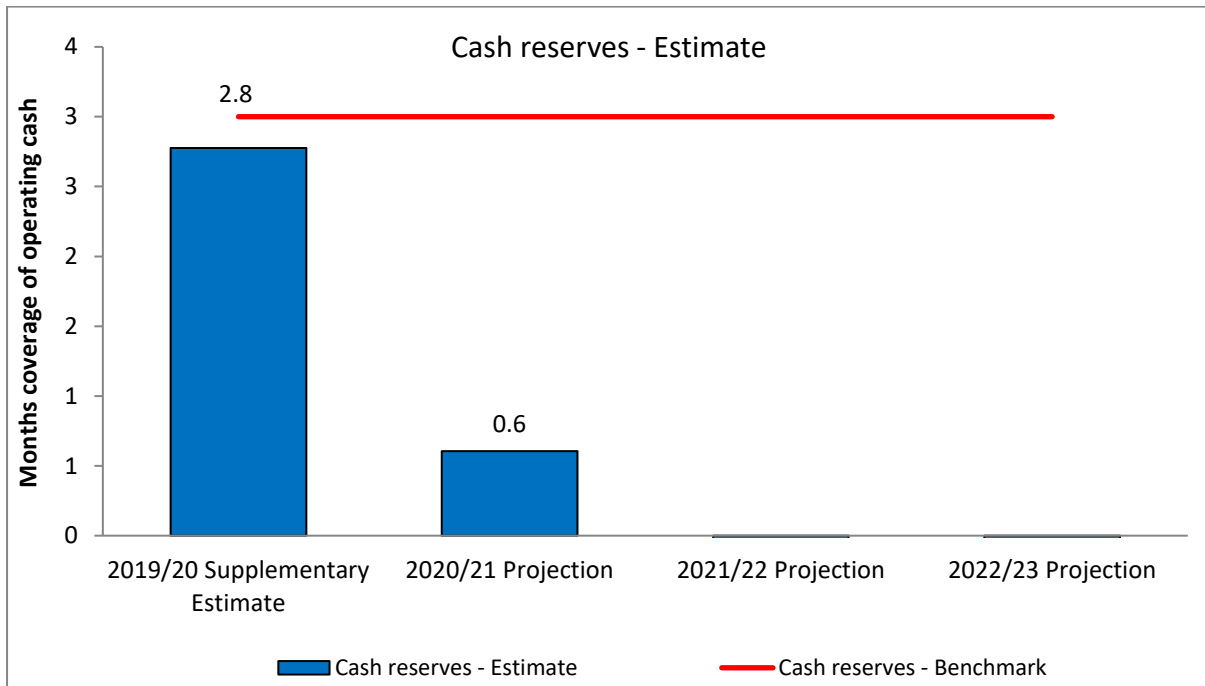
The cash reserves rule has not been amended nor is it calibrated according to the fiscal anchor and remains at a requirement of 3 months of operating expenditure. This rule ensures quick and easy access to funds in the case of an economic shock or natural disaster, thus reinforcing the objective of fiscal sustainability.

The MTFS has helped to encourage stronger fiscal restraint and, in turn strong cash management. In the 2019/20 Budget, \$56.7 million was moved from the cash reserves into the Stabilisation Account, resulting in a large decrease in excess cash reserves.

As can be seen in Figure 1.4, the large decrease in revenue and subsequent increase in expenditure expected in this Appropriation Amendment result in cash reserves of \$8.3 million or 2.8 Months at the end of 2020/21.

Note that the forecast cash reserves are as at the end of each fiscal year. The \$8.3 million projected in 2020/21 is the current year end balance based on estimates which are expected to be updated in the 2020/21 Budget. This Appropriation Amendment only contains minor amendments to Government’s expenditure in the forward years. Changes will be made to these expenditures in the 2020/21 Budget to ensure that cash reserves return to the level required by the Cash Reserves rule in the 2020/21 year.

Figure 1-4 Cash Reserves Projections



1.4 Medium-term National Priorities

To improve the alignment between fiscal planning and the achievement of national priorities, the MTFS incorporates the Medium-term National Priorities. This not only provides further information on the Government's intentions over the medium-term, but will help to guide the development of the Medium-term Expenditure Ceilings.

Due to the severity of the economic shock that is anticipated, the Government is not expecting to align expenditure with the national priorities in the remainder of the 2019/20 fiscal year.

2 Government Financial Statistics Statement

The Government Financial Statistics (GFS) Operating Statement reflects the financial performance of Government and discusses general trends and revisions of forecasts for the operating revenue, operating expenditure and the net operating balance. The GFS operating statement encompasses all funds managed at the general government level including the Loan Repayment Fund.

Table 2.1: GFS Statement

Statement of Government Operations	2018/19 Actual	2019/20 Budget Estimate	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
REVENUE	231,999	246,320	237,456	202,412	203,221	200,306
Taxes	159,060	151,626	130,554	136,265	151,270	159,088
Social contributions	75	75	75	75	75	75
Grants	19,615	57,489	57,489	28,879	14,599	3,836
<i>Current</i>	5,851	10,396	9,629	6,120	2,599	1,836
<i>Capital</i>	13,764	47,093	47,860	22,758	12,000	2,000
Other revenue	53,249	37,129	49,338	37,193	37,277	37,307
EXPENSE	163,359	180,645	214,272	183,409	180,722	177,891
Compensation of employees	59,024	69,336	70,622	74,511	77,942	78,300
Use of goods and services	50,229	53,653	82,755	48,576	42,997	40,242
Depreciation	8,370	13,742	13,772	13,742	13,742	13,742
Interest	2,082	2,133	2,228	2,102	1,895	1,695
Subsidies	15,787	15,181	13,677	15,227	15,227	15,227
Grants	0	0	0	0	0	0
Social benefits	21,472	21,681	22,960	23,167	23,253	23,339
Other expense	6,395	4,919	8,258	6,084	5,667	5,347
NET OPERATING BALANCE	68,641	65,675	23,184	19,003	22,499	22,416
<i>Plus</i> NON CASH APPROPRIATIONS						
Depreciation	8,370	13,742	13,772	13,742	13,742	13,742
CASH SURPLUS/(DEFICIT) FROM OPERATING TRANSACTIONS	77,011	79,416	36,956	32,745	36,241	36,157
CASH TRANSACTIONS IN NONFINANCIAL ASSETS						
Net Cash Applied to the Acquisition of Fixed Assets	49,866	87,804	98,014	58,298	38,070	27,520
Gross transactions in Non-Financial Assets	58,237	101,545	111,786	72,040	51,812	41,262
Less Non Cash Transactions in Non-Financial Assets (Depreciation)	-8,370	-13,742	-13,772	-13,742	-13,742	-13,742
NET (BORROWING)/LENDING	27,145	-8,387	-61,058	-25,554	-1,829	8,637
CASH APPLIED TO THE NET ACQUISITION OF FINANCIAL ASSETS	-8,793	2,023	-45,462	-30,992	-12,645	-969
Domestic Transactions	-8,793	2,023	-45,462	-30,992	-12,645	-969
Foreign Transactions	0		0	0	0	0
CASH APPLIED TO THE NET INCURRENCE OF LIABILITIES	6,463	-9,968	-9,896	3,689	9,281	9,092
Domestic Transactions	0	0	0	0	0	0
Foreign Transactions	6,463	-9,968	-9,896	3,689	9,281	9,092
NET CASH FINANCING TRANSACTIONS	-2,330	-7,945	-55,359	-27,303	-3,364	8,123
<i>Statistical discrepancy</i>	-29,475	443	5,699	-1,750	-1,535	-514

2.1 GFS Net Operating Balance

The GFS net operating balance is the balance of operating revenues less operating expenditure by the Government and its development partners. GFS net operating balance for 2019/20 is \$23.2 million representing a significant decrease compared to the estimated operating balance at the time of the 2019/20 Budget of \$65.7 million. This is mainly due to downward revisions made to tax revenues and increases in operating expenditure due to the advent of the COVID-19 pandemic.

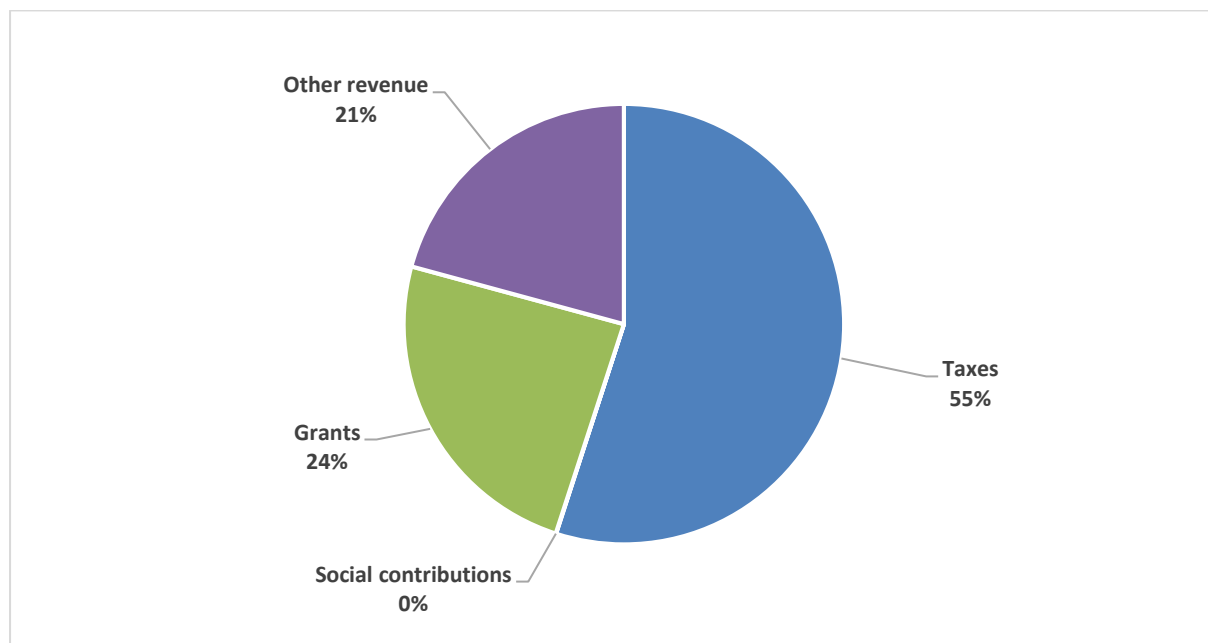
Going forward, changes in expenditure and revenue estimates are predicted to result in an operating balance of \$19 million in 2020/21, and is expected to increase to \$22.4 million in 2022/23.

2.1.1 GFS Operating Revenue

Operating revenues in 2019/20 are made up of taxation receipts (57 per cent), grants from other Governments (25 per cent) and other revenues, including agency trading revenues, interest and dividend receipts (21 per cent). These revenue streams are used to finance the on-going operational expenditure of Government, with surpluses used for investing activities such as infrastructure development projects or accumulated in reserves.

As at the 2019/20 Budget published in June 2019, GFS operating revenues in 2019/20 were estimated to be \$246.3 million. Estimates have since decreased to \$237.5 million due to the suspension of the tourism industry as a result of the onset of the COVID-19 pandemic.

Going forward operating revenues is expected to slowly recover with tax revenue collections projected to increase to \$159.1 million in 2022/23 despite an expected decrease in grant revenues in the outer years.

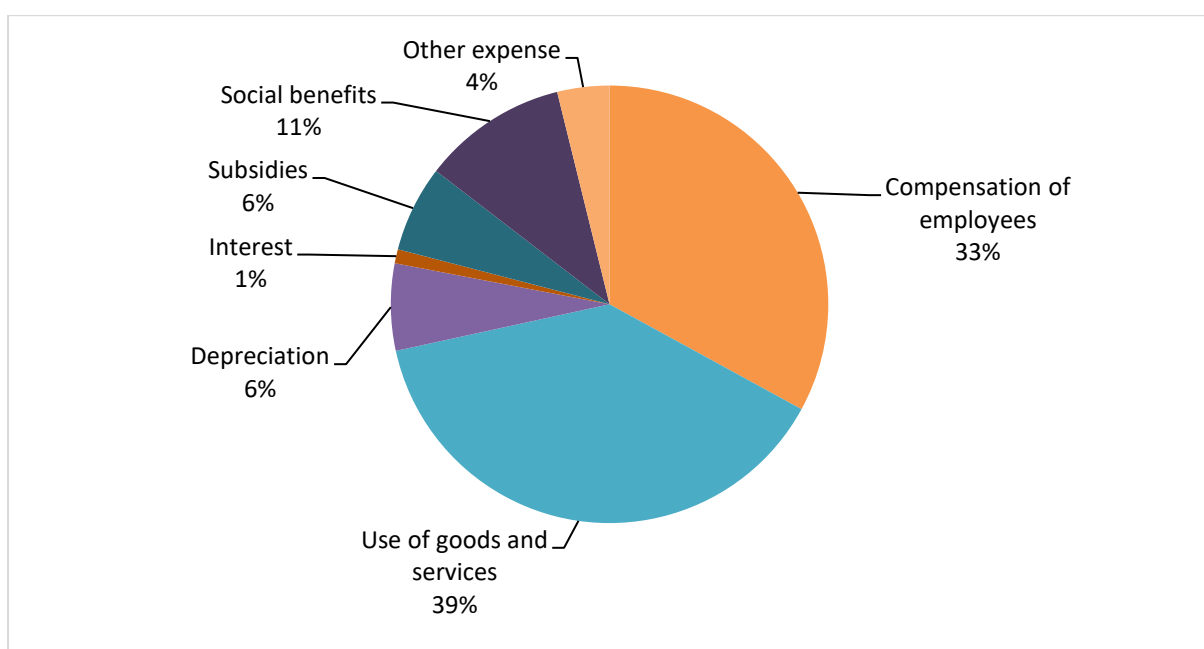


2.1.2 GFS Operating Expenditure

Operating expenditure is made up of compensation of employees (33 per cent in 2019/20), use of goods and services (39 per cent), social benefits (11 per cent), subsidies and depreciation (each at 6 per cent), other expenses (4 per cent), and interest expenses (1 per cent).

Total operating expenditure is now expected to be \$214.3 million in 2019/20, up from the \$180.6 million estimated at Budget, due to additional expenditure approvals since the passing of the 2019/20 Budget. These expenditures are explained in the Fiscal Update chapter.

Figure 2-1: GFS operating expenditure (percentage)



2.2 GFS Non-Operating Items

Cash transactions in non-financial assets outline the transactions relating to capital, including public works, purchase of plant and equipment and investments in ICT by both the Crown and foreign donors.

Total purchases of non-financial assets (excluding depreciation) is estimated to rise to \$98 million (\$10.5 million increase since the 2019/20 budget) in 2019/20 following lower than anticipated actuals in 2018/19. This reduces in the forward years current large projects wind up and new projects commence.

2.2.1 Net Borrowing / Lending and Cash Financing Transactions

The Net Borrowing / Lending Requirement outlines the amount of financing required to fund both operating and capital balances, with these funds being sourced from either assets (predominantly accumulated cash reserves) or liabilities (predominantly loan finance).

The net borrowing requirement is \$68.1 million in 2019/20, serviced by a combination of cash and debt financing. The net borrowing requirement decreases over the forward period, resulting in a net lending position of \$8.6 million which is expected in 2022/23 as a result of a decrease in capital projects, and at the same time revenues are expected to increase over the medium-term.

There are some smaller movements not captured in the GFS schedules, with most of these relating to the classification of reserves in the financial schedules. Most of the statistical discrepancy shown in the GFS Operating Statement relates to timing issues between when projects are executed and when their funding is received into the Crown account. The sum of the statistical discrepancy across the years shown is considered to be significant.

2.3 Classification of Functions of Government (COFOG)

The Classification of the Functions of Government (COFOG) classifies Government expenditure data by the purpose for which the funds are used. This standard classification allows for comparisons on functional expenditure across different jurisdictions.

The COFOG has 10 main functions at the highest level and 69 functions at the second (sub-functional) level. Table 2.2 classifies the Budget to the sub-functional level for both Cook Islands Government spending and ODA.

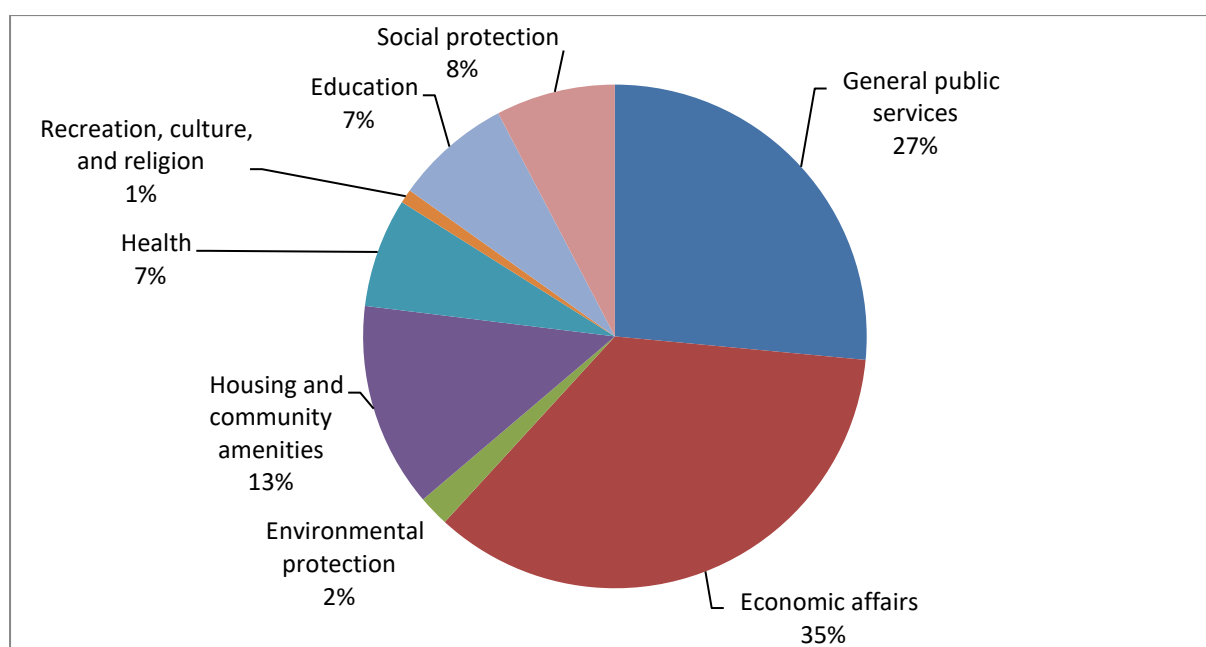
Table 2.2: Classification of Functions of Cook Island Government

Function of Government	2018/19 Actual	2019/20 Budget Estimate	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Cook Islands Government (CIG)						
Expenditure						
General public services	37,417	40,874	47,991	43,930	50,790	50,262
Executive and legislative organs, financial and fiscal affairs, external affairs	27,446	29,744	36,916	33,095	39,346	39,596
General services	7,036	8,311	8,057	7,911	8,582	7,832
R&D General public services	0	26	26	26	26	26
General public services	853	659	764	795	941	1,113
Public debt transactions	2,082	2,133	2,228	2,102	1,895	1,695
Public order and safety	9,147	8,954	10,825	10,242	10,191	10,426
Police services	5,006	5,445	5,786	5,575	5,425	5,425
Law courts	3,395	3,135	4,075	3,905	3,958	4,124
Prisons	745	374	964	761	808	877
Economic affairs	46,815	66,933	93,300	67,048	55,116	56,093
General economic, commercial, and labor affairs	6,472	8,961	8,961	8,923	8,948	8,923
Agriculture, forestry, fishing, and hunting	2,600	3,913	3,993	4,286	4,348	4,349
Fuel and energy	4,220	2,124	4,885	1,645	1,645	1,645
Mining, manufacturing, and construction	1,076	9,765	6,241	7,896	307	307
Transport	22,056	31,549	30,499	30,318	29,532	30,532
Communication	303	783	872	783	383	383
Tourism	9,491	9,330	9,342	9,330	9,445	9,445
R&D Economic affairs n.e.c.	476	379	379	379	379	379
Economic affairs n.e.c.	120	128	128	128	128	128
Environmental protection	2,113	3,561	3,464	3,557	3,557	3,557
Waste management	672	796	796	846	846	846
Waste water management	52	1,000	738	1,000	1,000	1,000
Protection of biodiversity and landscape	150	182	347	222	222	222
Environmental protection n.e.c.	1,239	1,583	1,583	1,488	1,488	1,488
Housing and community amenities	34,895	24,883	33,146	20,439	13,816	12,462
Community development	1,199	3,100	3,118	3,100	1,600	600
Water supply	25,324	13,049	20,418	8,330	3,205	2,850
Housing and community amenities n.e.c.	8,371	8,734	9,609	9,009	9,011	9,012
Health	16,891	18,485	18,761	21,490	20,090	19,990
Medical products, appliances, and equipment	941	595	556	1,795	595	495
Outpatient services	1,913	1,989	1,989	2,531	2,531	2,531
Hospital services	12	1,791	2,106	1,252	1,052	1,052
Health n.e.c.	14,025	14,110	14,110	15,912	15,912	15,912
Recreation, culture, and religion	4,807	2,149	2,168	2,250	4,273	2,273
Recreational and sporting services	98	173	173	79	79	79
Cultural services	4,709	1,977	1,995	2,172	4,195	2,195
Education	20,234	20,630	20,630	20,779	23,165	23,225
Pre-primary and primary education	2,193	2,753	2,753	2,743	2,743	2,743
Secondary education	856	0	0	0	0	0
Tertiary education	1,840	2,077	2,077	2,157	2,157	2,157
Education n.e.c.	15,345	15,799	15,799	15,879	18,266	18,326
Social protection	21,263	22,847	23,007	23,094	23,195	23,286
Sickness and disability	91	575	575	576	577	578
Old age	13,048	12,931	12,931	13,017	13,102	13,186
Family and children	5,860	6,879	6,879	6,879	6,879	6,879
Housing	79	79	79	79	79	79
Social exclusion n.e.c.	14	36	36	43	43	43
Social protection n.e.c.	2,170	2,347	2,507	2,500	2,514	2,520

Function of Government	2018/19 Actual	2019/20 Budget Estimate	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Total CIG Expenditure	193,580	209,316	253,291	212,829	204,193	201,575
Official Development Assistance (ODA)						
Expenditure*						
General public services	7,316	31,462	31,462	23,533	11,924	1,606
Economic affairs	1,927	12,639	12,639	1,188	475	30
Environmental protection	101	2,493	2,493	1,420	0	0
Housing and community amenities	5,846	6,272	6,272	200	200	200
Health	0	2,290	2,290	2,000	2,000	2,000
Recreation, culture, and religion	401	506	506	0	0	0
Education	243	1,827	1,827	538	0	0
Social protection	3,781	0	0	0	0	0
Total ODA Expenditure	19,615	57,489	57,489	28,879	14,599	3,836
TOTAL PUBLIC EXPENDITURE	213,195	266,806	310,781	241,707	218,792	205,411

Figure 2-2 classifies the combined Cook Islands Government and ODA spending in the 2019/20 Supplementary at the 10 main functional levels.

Figure 2-2: Classification of Functions of Cook Island Government



Economic affairs is the largest area of total expenditure at 35 per cent of the total spending, driven by tourism spending through the Cook Islands Government appropriation. Furthermore, Government has redirected existing operating and capital funding towards the COVID-19 Economic Response Plan fund under the Ministry of Finance and Economic Management which will allow the Cook Islands to prepare for and respond to the threat of COVID-19.

General public services is next, at around 27 per cent of total spending, with the Cook Islands Government administration costs being the main driver.

Housing and community amenities (which includes general community infrastructure) is the third largest area of spending at 13 per cent. Other major areas of spending are the social protection area, currently at 8 per cent of total spending and health and education at 7 per cent each.

3 Fiscal Update

Table 3-1 Fiscal Indicators Summary

	2017/18 Actual	2018/19 Actual	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Statement of Financial Performance						
Taxation Revenue (\$m)	140.6	159.1	130.6	136.3	151.3	159.1
Social Contributions (\$m)	0.0	0.1	0.1	0.1	0.1	0.1
Other Revenue (\$m)	40.1	53.2	49.3	37.2	37.3	37.3
Total Operating Revenue (\$m)	180.7	212.4	180.0	173.5	188.6	196.5
Total Operating Revenue Percentage of GDP	35.8	39.4	34.7	35.4	33.2	32.5
Tax Revenue Percentage of GDP	27.9	29.5	25.2	27.8	26.6	26.3
Total Cyclical Revenue (\$m)	15.3	24.3	24.1	16.5	16.6	16.6
Total Cyclical Revenue Percentage of GDP	3.0	4.5	4.7	3.4	2.9	2.8
Total Structural Revenue (\$m)	165.3	188.1	155.8	157.0	172.1	179.9
Total Structural Revenue Percentage of GDP	32.8	34.9	30.1	32.0	30.3	29.8
Personnel (\$m)	55.7	59.0	70.6	74.5	77.9	78.3
Percentage of Total Revenue	30.8	27.8	39.2	42.9	41.3	39.9
Percentage of Structural Revenue	33.7	31.4	45.3	47.5	45.3	43.5
Total Operating Expenditure (\$m)	152.0	157.5	204.6	177.3	178.1	176.1
Percentage of GDP	30.1	29.2	39.5	36.1	31.4	29.1
Percentage of Operating Revenue	84.1	74.2	113.7	102.2	94.4	89.6
Cash Operating Expenditure*	137.9	148.8	190.2	163.6	164.1	162.2
Operating Balance (\$m)	28.7	54.9	-24.7	-3.8	10.5	20.4
Percentage of GDP	5.7	10.2	-4.8	-0.8	1.8	3.4
Capital Expenditure	21.6	36.1	50.1	35.5	26.1	25.5
Depreciation	13.3	8.4	13.8	13.7	13.7	13.7
Non-Operating Balance (\$m)	-20.5	-43.4	-126.3	-44.0	-35.4	-34.7
Fiscal Balance surplus/deficit (\$m) *	20.4	27.1	-61.1	-25.6	-1.8	8.6
Percentage of GDP	4.0	5.0	-11.8	-5.2	-0.3	1.4
Statement of Financial Position (\$m)						
Assets (\$m)	448.3	468.9	502.8	510.5	520.1	530.2
Liabilities (\$m)	152.6	177.3	209.4	200.3	187.9	175.5
Crown Balance (\$m)	295.7	291.6	293.4	310.1	332.2	354.8
Percentage of GDP	58.6	54.1	56.6	63.2	58.5	58.7
Working Capital (\$m)	142.2	106.7	44.0	8.3	-4.4	-5.4
Working Capital (months coverage)	12.4	8.6	2.8	0.6	-0.3	-0.4
Stabilisation Account	0.0	0.0	0.0	0.0	0.0	0.0
Statement of Borrowings (\$m)						
Gross Debt end of FY (\$m)	111.3	112.6	133.4	125.7	114.8	103.8
Excluding Contingency Loan	111.3	112.6	119.9	112.2	101.3	91.6
Percentage of GDP	22.1	20.9	25.7	25.6	20.2	17.2
Net Crown Debt, end of FY (\$m)	84.7	91.7	113.0	105.7	95.4	85.6
Percentage of GDP	16.8	17.0	21.8	21.5	16.8	14.2
Loan Repayment Reserves Held (\$m)	26.6	20.9	20.5	20.0	19.5	18.2
Net Debt Servicing (\$m)	10.3	7.3	7.1	8.0	9.3	9.7
Percentage of Total Revenue	5.7	3.4	3.9	4.6	4.9	4.9
Percentage of Structural Revenue	6.2	3.9	4.6	5.1	5.4	5.4
Development Partner Support (\$m)						
Grants (\$m)	39.4	19.6	57.5	28.9	14.6	3.8
Percentage of GDP	7.8	3.6	11.1	5.9	2.6	0.6
Memo item: Nominal GDP (\$m)	504.3	538.8	518.2	490.6	567.6	604.3

3.1 Overview

The Amended Estimates are developed to allow necessary revisions to the fiscal forecasts that underpin the 2019/20 Budget. Since the passing of the 2019/20 Budget, with the economic shock now being experienced by the Cook Islands, substantial changes to government revenues are forecast, and extensive operating funding changes have been made to support the Economic Response Plan.

Expenditure estimates (operating and capital) for 2019/20 have increased to include the additional expenditures to be funded through the Appropriation Amendment Bill. In addition, all Executive Orders and Carry Forward requests approved to 20th March 2019.

3.2 Movements since 2019/20 Budget

3.2.1 Stabilisation Account

Due to the decision to depart from the Fiscal Rules and access the Stabilisation Account in response to the economic shock being experienced, the balance of the Stabilisation Account has been merged with the working capital balance in the Fiscal Indicators table.

3.2.2 Budget Adjustments

The 2019/20 Budget classifies expenditure and revenue adjustments according to the following categories:

- Policy decisions leading to new initiatives undertaken by Government;
- Technical adjustments;
- Reclassification of expenses; and
- Parameter changes – movements that occur due to economic changes that are outside of a decision by the Government, including depreciation, movements in welfare beneficiary numbers and the impact of changes in fuel costs on the underwrite.

Table 3-2 shows the movements between the 2019/20 Budget and the 2019/20 Appropriation Amendment. These are explained in greater detail below.

As a result of the changes in revenue and expenditure, the operating surplus in 2019/20 has been revised down from \$18.6 million to a deficit of \$31.7 million.

Table 3-2: Reconciliation of Operating Statement (\$000's)

Statement of Government Operations	2019/20	2020/21	2021/22	2022/23
Operating balance as at 2019/20 HYEFU	26,822	23,570	22,649	27,938
Revenue				
<i>Revenue Parameter Changes</i>	-26,486	-23,965	-12,150	-7,523
<i>Adjustments to:</i>				
Value Added Tax (VAT)	(7,431)	(7,355)	(5,537)	(3,425)
Income tax	(8,631)	(5,052)	(2,394)	(1,467)
Import levies	3,715	(1,445)	(1,075)	(657)
Company tax	(13,505)	(6,618)	(1,987)	(1,239)
Departure tax	(2,942)	(3,324)	(1,031)	(658)
Withholding tax	2,308	(170)	(126)	(76)
<i>Other Revenue Changes</i>	6,372	0	0	0
Other revenue	72	0	0	0
Trading Revenue	0	0	0	0
Dividend	(700)	0	0	0
Core Sector support	7,000	0	0	0
Total Revenue Changes to 2019/20 Supplementary	-20,114	-23,965	-12,150	-7,523
Expenditure				
<i>Expenditure Decisions by Government</i>	32,508	3,360	0	0
<i>Technical adjustments</i>	-969	0	0	0
<i>Reclassifications of expenditure</i>	-155	0	0	0
<i>Parameter changes</i>	0	0	0	0
Total Expenditure Changes to 2019/20 Supplementary	31,384	3,360	0	0
OPERATING BALANCE as at 2019/20 Supplementary	-24,676	-3,755	10,499	20,416
Capital Expenditure	50,154	35,540	26,070	25,520
Depreciation	13,772	13,742	13,742	13,742
FISCAL BALANCE - as at 2019/20 Supplementary	-61,057	-25,553	-1,830	8,637

3.2.3 Revenue

Since the release of the 2019/20 Budget, total expected revenue for 2019/20 has been revised downward from \$183.9 million to \$168.0 million. Since the onset of the COVID-19 pandemic, and the suspension of the tourism industry, receipts for the major revenue sources, tax in particular, are now predicted to be less than forecast at the 2019/20 Budget for the final quarter of 2019/20.

The impacts of the economic shock are forecast to result in a \$28.5 million reduction in Taxation Revenue for 2019/20 to \$130.5 million, or negative 17.9%. Taxation revenue has also been revised down significantly in 2020/21 to \$136.3 million, a recovery of \$5.7 million based on initial forecasts, however this remains approximately 14.5 per cent below the 2019/20 Budget forecast.

Movements in other revenues:

- Dividend revenue is forecast to decrease by \$0.7 million, due to decreased dividends from SOE's.
- Revenues related to the Upper Air Management Agreement are expected to be \$0.1 million higher than initially forecast.
- Additional revenues through grant funds of \$7 million from the New Zealand Government which will be applied through the Core Sector Support.

3.2.4 Expenditure since 2019/20 Budget

Expenditure Decisions

Since the 2019/20 Budget, total Expenditure has increased from \$170.2 million to \$204.6 million with majority of expenditures affecting the 'expenditure decision by Government' category. These government priorities are detailed below:

Operating

- **\$28,000,000** of new funding has been allocated to the 'COVID-19 Economic Response Plan' Administered Fund with the Ministry of Finance and Economic Management which will be used to supplement social benefits and wage support in the private sector, as well as other economic stimulus measures.
- **\$4,500,000** to create a coordinated 'COVID-19 Medical Response' Administered Fund that government agencies can draw upon in response to the COVID-19 pandemic. This flexible fund will support operating costs that are specific to actions taken for the medical response to COVID-19, and will require approval from the Ministry of Health and the Ministry of Finance and Economic Management.
- **\$50,000** increase in Administered Funding for the Crown Law Office to cover external legal fees.
- **\$220,000** increase in personnel appropriation for the Ministry of Corrective Services to cover a shortfall in personnel funding due to a number of necessary remuneration increases coming in higher than anticipated.
- **\$280,000** increase in personnel appropriation for the Cook Islands Police Service. This is due to a shortfall in personnel funding as a result of personnel remuneration changes and associated funding adjustments during the current 2019/20 fiscal year.
- **\$268,167** increase in appropriation for the Cook Islands Seabed Minerals Authority to cover start-up costs of the Authority as it moves into the next phase of operations. This includes:
 - \$35,000 for Personnel
 - \$95,000 for Operating
 - \$138,167 in Administered Funding
- **\$30,000** to supplement the 'Civil List – Constituency Visits' POBOC to fund increased costs incurred during the fiscal year.
- **\$115,000** to supplement the 'Parliamentary Sitting Expenses' POBOC to cover the costs incurred in holding the November / December sitting at an alternate venue, and to provide additional funding for the scheduled March and June 2020 sittings.
- **\$200,000** to supplement the Provision for Inter Island Shipping to charter additional voyages to the Pa Enea.
- **\$50,000** of additional operating funding for Ministry of Internal Affairs to support additional expenditures incurred in supporting the economic stimulus package
- **\$240,000** of additional funding has been allocated to the Social Responsibility Fund to expand this programme and enable further community works to be completed.

Capital

- **\$500,000** to create a flexible 'COVID-19 Medical Response - Capital Needs' fund that government agencies can draw upon to fund capital purchases or necessary capital investments in response

to the COVID-19 pandemic. This flexible fund will support capital needs that are specific to the medical response to COVID-19, and will require approval from the Ministry of Health and the Ministry of Finance and Economic Management.

- **\$5,700,000** for Te Mato Vai to cover the remaining contractual payments for McConnell Dowell such as bulk meter installation work, completion of access roads through a panel of contractors, upgrade works to 10 water stations to counter possible delays experienced because of COVID-19, and a contingency balance for legal fees and other costs.
- **\$200,000** in new funding to complete upgrades to the FM radio and TV equipment in the Pa Enea to enhance the distribution of information via these broadcasting channels. Additionally, this funding will also allow for an assessment and preparatory work to be undertaken for the upgrade of the AM Radio mast in Blackrock, Rarotonga.
- **\$380,000** is added to the Capital Distribution Fund to enable the purchase of the necessary equipment for Rarotonga and the Pa Enea, being:
 - School Bus and a truck – Atiu
 - Tip truck - Mitiaro
 - Tractor and Slasher – Aitutaki
 - Bobcat excavator and attachments – Ministry of Corrective Services to support their community works.
- **\$220,000** of new Capital funding to enable the Ministry of Health to purchase new ICT servers and closely related infrastructure requirements. The purchase is urgently required to replace old servers that are at risk of failure.
- **\$80,000** of new capital funding allocated to Ministry of Agriculture for the upgrade of aged nursery facilities.
- **\$100,000** of new capital funding for CIIC to support Ministry of Health with works related to the relocation of oral health services into the community to free up the Tupapa medical buildings for use in the COVID-19 medical response.
- **\$300,000** of new capital funding for CIIC to design and build a new remand centre facility at the Arorangi prison.
- **\$800,000** of additional capital funding for the ICI Drainage Improvement programme to be used to perform works on the Avatiu stream in conjunction with the work on Avatiu Bridge and the culvert works.
- **\$650,000** of additional capital funding for the ICI Rutaki Foreshore Rock Revetment programme to expand this coastal protection work.

Reclassifications and Parameter Changes

In addition to the expenditures that fit within the decision expenditure category, there are also expenditures that have either been reclassified or the parameters have been adjusted. These are detailed below:

Operating

- **\$2,500,000** decrease for the 'Air New Zealand – Subsidies' Administered Fund to adjust for the halt in flights from Australia and the United States due to the COVID-19 pandemic.

- **\$18,667** is provided to the Ministry of Culture to offset increased depreciation costs incurred due to the installation of new air-conditioning units and solar panels received as a donation from China in 2019/20.
- **\$12,000** is provided to the Cook Islands Tourism Corporation to offset annual depreciation costs related to the purchase of two government vehicles in 2019/20.
- **\$1,000,000** has been deducted from the 'Provision for Land Rentals' Administered Fund due to the projected underspends.
- **\$50,000** has been deducted from the 'Energy Commissioner' Administered Fund and will be returned to the Government Crown Account for redistribution as the Office of the Prime Minister expect an under-spend in this expenditure by this end of this fiscal year.
- **\$208,000** has been deducted from the 'Joint Venture with Seabed Minerals Authority' Administered Fund under CIIC. This reduction in funding offsets part of the increase of \$208,000 in appropriation for the Seabed Minerals Authority.

Capital

- **\$300,000** has been reduced from the 'Land Acquisition' Capital expenditure line as CIIC expect an under-spend for the 2019/20 fiscal year. This funding has been returned to the Government Crown Account for redistribution.
- **\$450,000** from the 'Government Building Project' for Penrhyn has been reduced due to the unlikelihood of this funding to be expended within the 2019/20 fiscal year. This funding has been returned to the Government Crown Account for redistribution. The remaining \$50,000 is transferred to ICI to allow them to commence the design work for the Project.
- **\$100,000** has been removed from the 'CT Scanner' Capital expenditure line under the Ministry of Health as the scope of work for the purchase of a CT Scanner has not yet commenced. Funding in the outer years has not been adjusted.
- **\$2,700,000** has been deducted from the 'Pa Enea Cyclone Centre' capital expenditure line under Infrastructure Cook Islands (ICI). Funding for construction of the cyclone centres in Rakahanga and Nassau are deferred however funding to conduct consultation and design work for both cyclone centres have been retained. This funding will be returned to the Government Crown Account for redistribution. The remaining funds in this capital line will be used to commence construction of a cyclone centre for the island of Penrhyn.
- **\$300,000** has been deducted from the 'Road Asset Management' capital expenditure line under ICI. \$100,000 has been moved to the Contingent Liability capital project whilst the remaining \$200,000 will be returned to the Government Crown Account for redistribution.
- **\$300,000** has been reduced from the 'Mei Te Vai Ki Te Vai' capital project under the Ministry of Finance and Economic Management (MFEM). It is anticipated that there will be an under-spend in this expenditure during the 2019/20 fiscal year therefore, this funding will be returned to the Government Crown Account for redistribution.
- **\$2,200,000** has been reduced from the 'Shipping Vessel' capital expenditure line under MFEM. It is expected that a shipping vessel will not be purchased in this 2019/20 financial year therefore, this funding will be returned to the Government Crown Account for redistribution. The residual balance of \$300,000 has been retained to facilitate the necessary preparatory work should the opportunity to procure a shipping vessel arise.

Funding Transfers

The following are transfers of existing budget within existing Agency budgets.

Operating

- **\$500,000** approved for transfer from the 'Provision of Land Rentals' Administered Fund to the 'Joint Venture with Seabed Minerals Authority' Fund (\$370,000) and the 'Special Projects Unit' Fund (\$130,000) under the Cook Islands Investment Corporation.
- **\$18,000** approved for transfer from the 'Special Select Committee' Administered Fund into the Operating budget for Parliamentary Services.
- **\$113,000** approved for transfer from the Ministry of Corrective Services Personnel Budget to the Ministry's Operating Budget for 2019/20 to finance shortfalls in operating expenditure.

Capital

- **\$85,000** has been transferred from the 'Centre of Excellence in Information Technology (CEIT)' Administered Fund under MFEM to a new capital expenditure line. The capital line will enable the expansion of the CEIT's office space and the procurement of an office vehicle.
- **\$100,000** has been transferred from the 'Road Asset Management' capital fund to cover various outstanding invoices under Infrastructure Cook Islands (ICI).
- **\$85,000** will be transferred from the 'Bridges and Drainage Maintenance' Administered Fund to the 'Waste Management' Administered Fund under ICI to cover contractual agreements relating to the Roadside Refuse and Recycling Collection Services on Rarotonga.

3.2.5 Expenditure Orders since 2019/20 Budget

The Cook Islands Constitution allows for the Executive Council to approve additional spending up to 1½% of the total annual budget appropriation in each year, in line with the following:

70. Revenue and expenditure of Cook Islands Government Account

(3) The Minister responsible for Finance, with the concurrence of Cabinet, or, where any enactment so provides, the Executive Council, may approve the expenditure of such sums as he or it considers necessary –

(b) when during the period between the passing of the last Appropriation Act for any financial year and the end of that year it is desirable that money should be expended in excess of or without the prior appropriation of Parliament:

Provided that: (i) the total amount of all sums issued and paid shall not exceed a one and one-half percent (1 ½ %) of the total amount of all sums appropriated by the Appropriation Act or Acts for that year;

Additional expenditure totaling \$1.3 million was approved for a number of government priorities and published through the 2019/20 Half Year Economic and Fiscal Update. A snapshot of this is provided in the table below:

Agency	Executive Order Title	Amount
OPM	Appointment of Marae Moana Ambassador	60,000
CIIC	AM Radio Transmission Mast	318,100
OPM	Top up to the Atiu Power Upgrade Capital Project	130,000
Crown	Top up to the Operating Contingency fund	200,000
NES	E-Waste top-up	165,148

INTAFF	CISNOC - Netball Cook Islands	22,000
Crown	Top up to the Operating Contingency fund	200,000
INTAFF	Sports Assistance Fund - Rugby Union	19,381
INTAFF	Funding Proposal for the Rugby League Qualifiers	65,000
Crown	Top up to the Operating Contingency fund	150,000

In addition to the expenditures mentioned above, detailed below are those expenditures approved since December 2019:

Operating

- **\$200,000** top-up to the Operating Contingency Fund.
- **\$200,000** to top-up the 'MP's Travel and Allowances' POBOC due to an increase in the number international events compared to previous years. The top-up enables the Government to meet its regional and international obligations and engagements.
- **\$750,000** to top-up to the 'Provision for Inter-Island Shipping' Administered Fund to enable two Northern Group voyages for passengers and cargo during December 2019 and January 2020 to Penrhyn, Pukapuka-Nassau, Rakahanga, Manihiki and Palmerston.
- **\$67,904** to top-up the 'Parliamentary Sittings' POBOC. Since the passing of the 2019/20 Appropriation Act, the funding for Parliamentary Sittings has been fully expended due to the costs incurred for hosting the November/ December Parliament Sitting.
- **\$25,000** to support costs related to the MoCS restructure. The Ministry underwent a restructure which resulted in costs which required timely funding beyond the Ministry's appropriation.

Capital

- **\$362,924** to top-up the 'Parliament Building Extension' Capital Project to cover project overruns and the outstanding invoices for the project.

3.2.6 Carry Forwards since 2019/20 Budget

The Ministry of Finance and Economic Management Act 1995-96 allows for government agencies to request carry forward of unexpended budget appropriations from a prior year, with the approval of the Financial Secretary and the Minister of Finance, in line with the following:

37. Where provision has been made in any Appropriation Act for expenditure by any Government Department or Crown Agency in accordance with its outputs, and the total amount of that expenditure has not been incurred during the financial year to which that Act relates, the Financial Secretary, with the concurrence of the Minister, may direct that the unexpended amount be available for expenditure by the Government Department or Crown Agency, in accordance with its outputs, in following financial years, in addition to the total amount to be allocated to that Government Department or Crown Agency in the next Appropriation Act.

Various carry forward requests totaling \$2.0 million were approved for operating, administered payments and personnel funding from 2018/19 into 2019/20. The approved carry forwards are as follows:

Operating

- **\$109,720** for the Social Impact Fund to complete committed payments.
- **\$23,400** for Lease Rental payments due pending legal agreement.

- **\$60,662** for Te Kukupa Biannual Slipping pending negotiation of a revised contract.
- **\$99,448** for Conduct of the Labour Force and Survey with work extending into 2019/20.
- **\$314,740** for costs related to the production of new Cook Islands currency coins.
- **\$132,695** for the 'Special Investigative and Prosecution Services' Administered Fund.
- **\$157,179** for the 'Public Sector Strengthening' Administered Fund.
- **\$30,000** for the Infrastructure Committee to conduct work deferred to 2019/20.
- **\$595,323** for the 'Provision for Land Rentals' Administered Fund.
- **\$250,000** for the 'Land Rent Reviews' Administered Fund to settle final payments, pending legal outcomes.
- **\$171,546** for the 'Special Project Units' Administered Fund to settle final payments for the completion of projects from the 2018/19 financial year.
- **\$88,550** to cover deferred costs associated with the 'Avaroa Cable' Administered Fund.

Capital

In addition, capital expenditure is now estimated to be \$50.2 million in 2019/20. The Government has committed to a significant infrastructure program in recent years both on Rarotonga and the Pa Enua. These programs include water, renewable energy, roads, harbour rehabilitation, cyclone centers and telecommunications which all affect the livelihoods of Cook Islanders.

Capital expenditures carried forward from 2018/19 into 2019/20 since the 2019/20 Budget and published through the HYEPU are as follows:

- **\$87,767** for the Vaikapurangi Government Building project.
- **\$245,000** to undertake work on the Three Building Repairs project originally planned for the 2018/19 fiscal year.
- **\$314,415** to complete the Pukapuka Hospital Reconstruction project.
- **\$27,000** to complete the Titikaveka Backroad Rehabilitation project.
- **\$650,000** for TMV Stage 1: Road & Pipeline easement costs.
- **\$131,614** for To Tatou Vai Ltd Capital to complete work.
- **\$197,546** for the Mei Te Vai Ki Te Vai project.
- **\$1,298,693** for Te Mato Vai Water Upgrade project.
- **\$84,653** for the completion of work associated with the AEOI IT System.
- **\$388,875** for the Capital Distribution Fund to cover outstanding contractual payments to be paid in the 2019/20 fiscal year.
- **\$60,841** for the purchase of a new Ambulance for the Ministry of Health.
- **\$1,184,950** to cover final contract payments for the Aitutaki Renewable projects.
- **\$1,496,210** to extend the contracts relating to the Pa Enua Renewable Energy project.

The carry forwards, together with the Executive Order approvals for capital expenditure including the removal of the AM Transmission Radio Mast, the Atiu Power Upgrade Project, and the top-up to the Parliament Building Extension project has resulted in an increase in the capital budget of \$6.9 million in 2019/20.

4 Economic Update

4.1 Introduction

This chapter provides a brief update on a number of key Cook Islands economic parameters for which new data has become available since the 2019/20 Half-year Economic and Fiscal Update (2019/20 HYEFU) was published in December 2019. The economic forecasts presented in the 2019/20 HYEFU are being revisited as well, as due to the COVID-19 pandemic they are no longer current.

4.2 Gross Domestic Product

Since the 2019/20 HYEFU, the June and September 2019 quarters of GDP data have been released, providing observed data for the complete 2018/19 financial year. As shown in Figure 4-1, the Cook Islands experienced real GDP growth of 5.3 per cent in 2018/19, rising from \$504.6 million to \$531.2 million. This compares to the estimate of 4.2 per cent for 2018/19 presented in the 2019/20 HYEFU. This performance continues a strong run of growth of 6.8 per cent in 2016/17 and 8.9 per cent in 2017/18.

Figure 4-1 Real GDP growth, annual percentage change

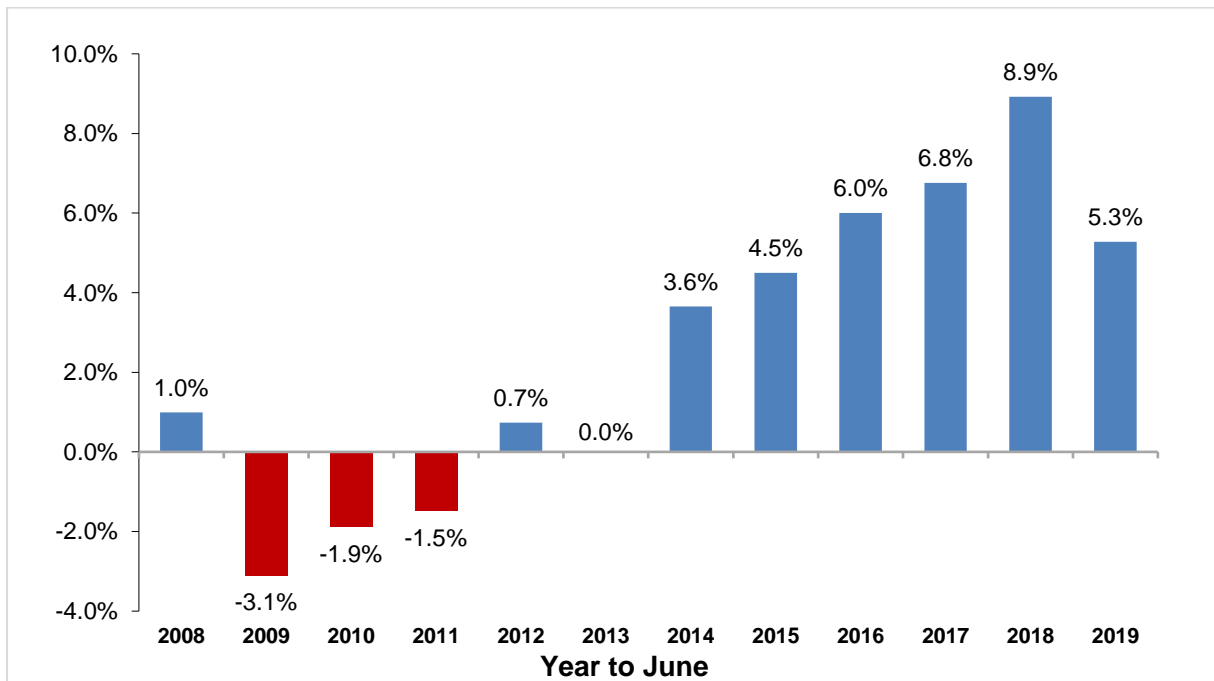
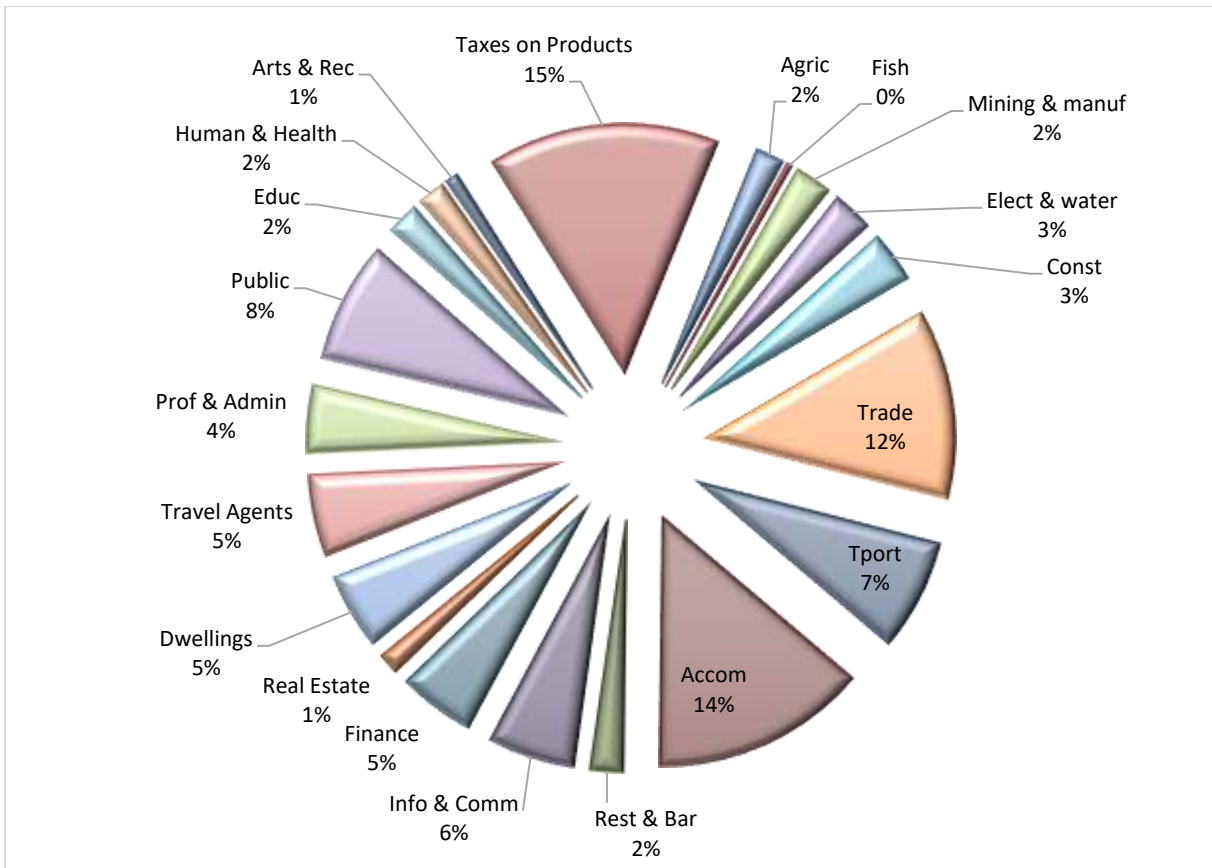


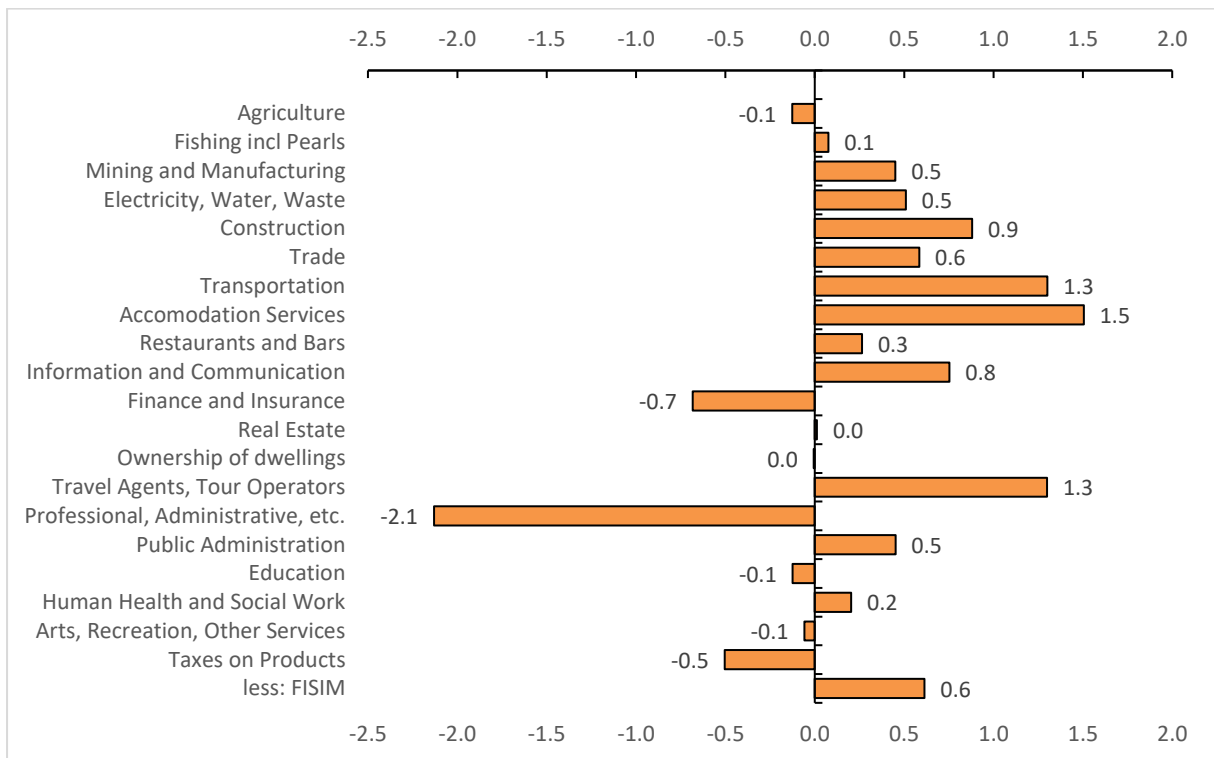
Figure 4-2 shows the breakdown of the Cook Islands economy by industry in 2018/19. The economy is dominated by the tertiary or services sector, accounting for about 77 per cent of the total economy in 2018/19, with the two largest tertiary industries, trade and accommodation services accounting for more than a quarter of total economic output.

Figure 4-2: Cook Islands economy by industry, 2018/19



In 2018/19, high tourist arrivals drove strong growth in the economy, with the tertiary sector contributing 3.4 percentage points to real economic growth. The strongest industry contributions were from accommodation (1.5 percentage points) and transport and travel agents (1.3 percentage points each), though professional and administration services detracted from growth by 2.1 percentage points.

Figure 4-3 Contribution to 2018/19 real growth (percentage point)

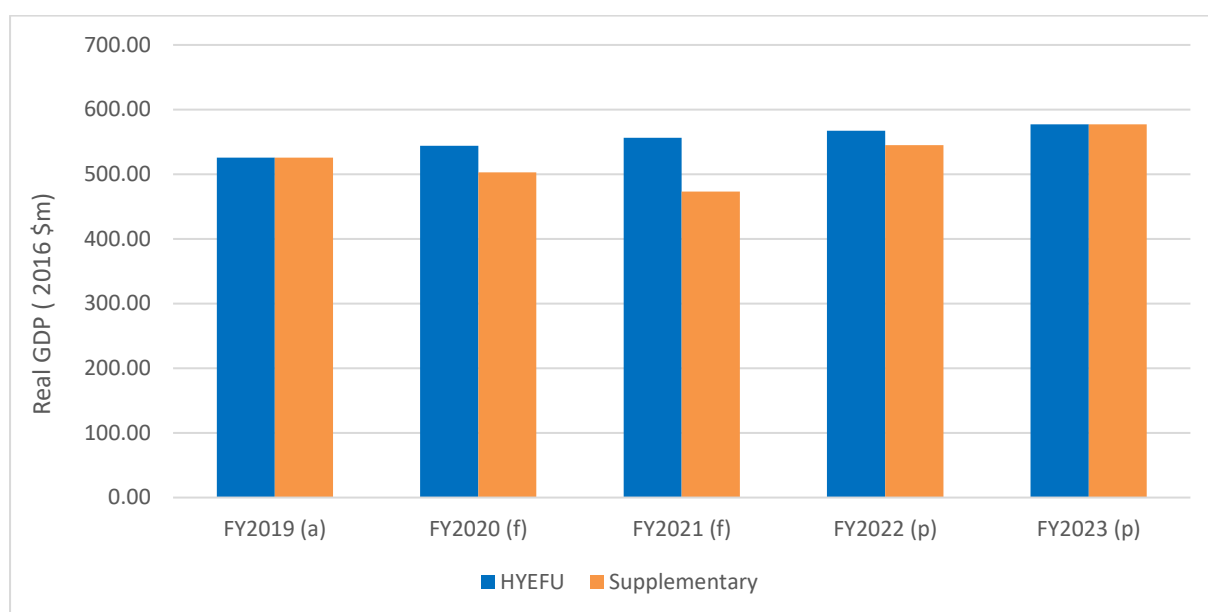


The secondary sector, which includes construction, electricity and manufacturing, contributed 1.8 percentage points to growth, while the primary sector, agriculture and fishing made no contribution.

4.2.1 Forecast GDP

With the COVID-19 Pandemic, tourism has been hit extremely hard, and with it, so has the Cook Islands economy. The impact this will have on GDP is somewhat offset by the Government’s actions with the COVID-19 Economic Response Plan but it is still anticipated that real GDP in 2019/20 will be 4.4 per cent lower than the previous financial year, before a further fall in 2020/21 of 5.9 per cent. The low level then sees very high growth rates once the recovery begins and travel restrictions subside. It must be noted that there is a high degree of uncertainty at this time, and that these forecasts are subject to change.

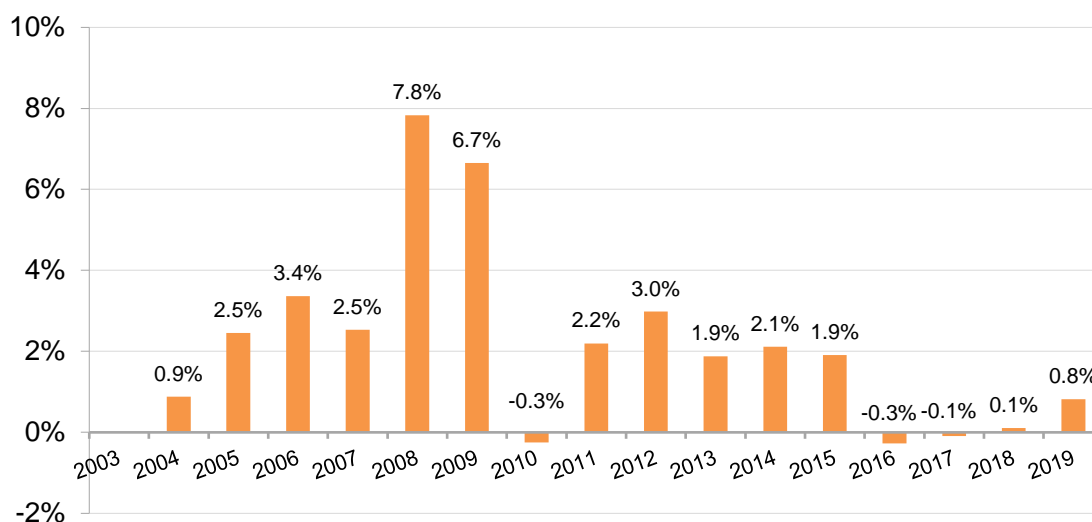
Figure 4-4 Cook Islands' Real GDP (2016 NZD, millions)



4.3 Consumer Price Index

Since the 2019/20 HYEFU, additional CPI data has been released, the December 2019 quarter. The CPI for December quarter 2019 increased by 0.8 per cent compared to the December quarter 2018, as shown in Figure 4-5. Over this period, rises in the food, housing and apparel groups were partially offset by falls in the household operations and transport groups.

Figure 4-5 CPI, year to December, annual percentage change



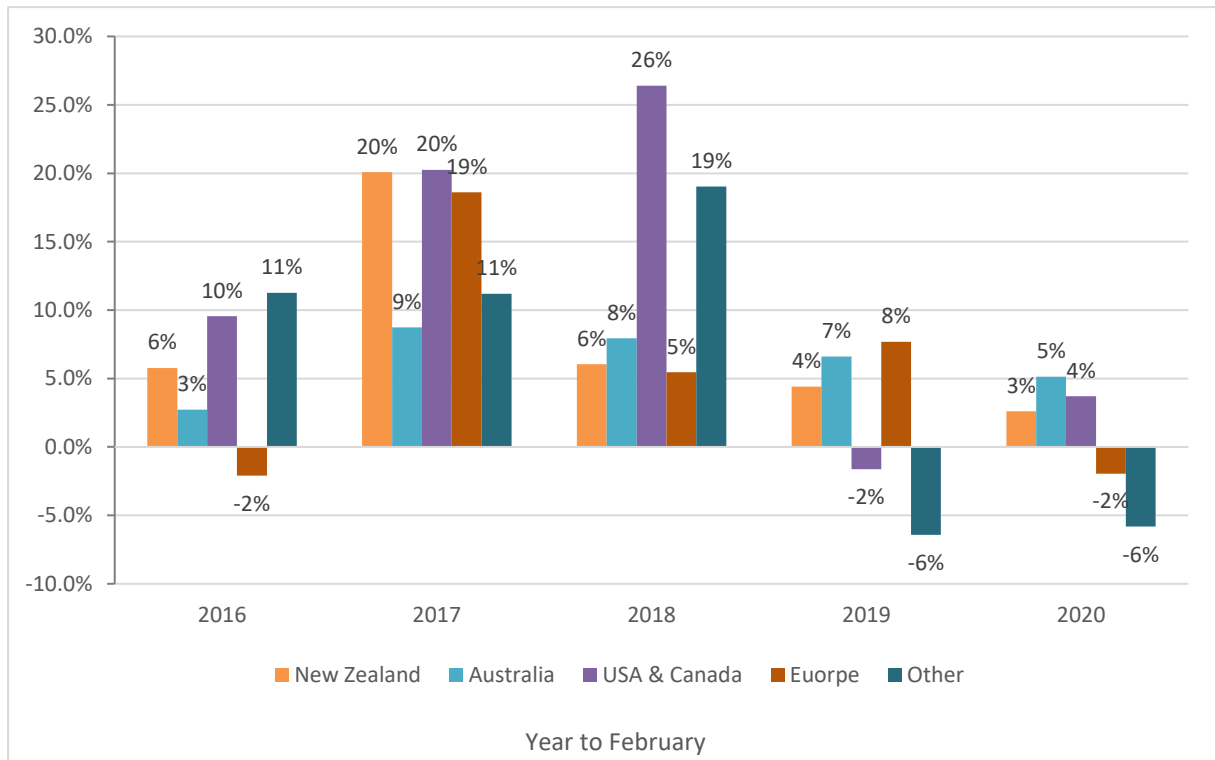
4.4 Tourism

Since the 2019/20 HYEFU, an additional 3 months of visitor arrivals data has been released, the most recent for February 2020. In the year to February 2020, visitor arrivals in the Cook Islands reached 172,728, 2.5 per cent higher than the 168,510 visitors recorded in the year to February 2019. While New Zealand visitors still dominate the raw numbers, Australia recorded the highest visitor growth rate in the year to February 2020, with an 5 per cent rise on the previous year's 27,686 visitors to

29,109 (see Figure 4-6). North American visitor numbers rose by 4 per cent, and New Zealand rose by 3 per cent, with visitors from other markets falling by 6 per cent over the same period.

This data has yet to show the impact of the global COVID-19 pandemic and associated travel restrictions, which are expected to show up with large falls from March 2020 onwards. This represents the largest challenge for the Cook Islands economy, which government is taking steps to address through the COVID-19 Economic Response Plan.

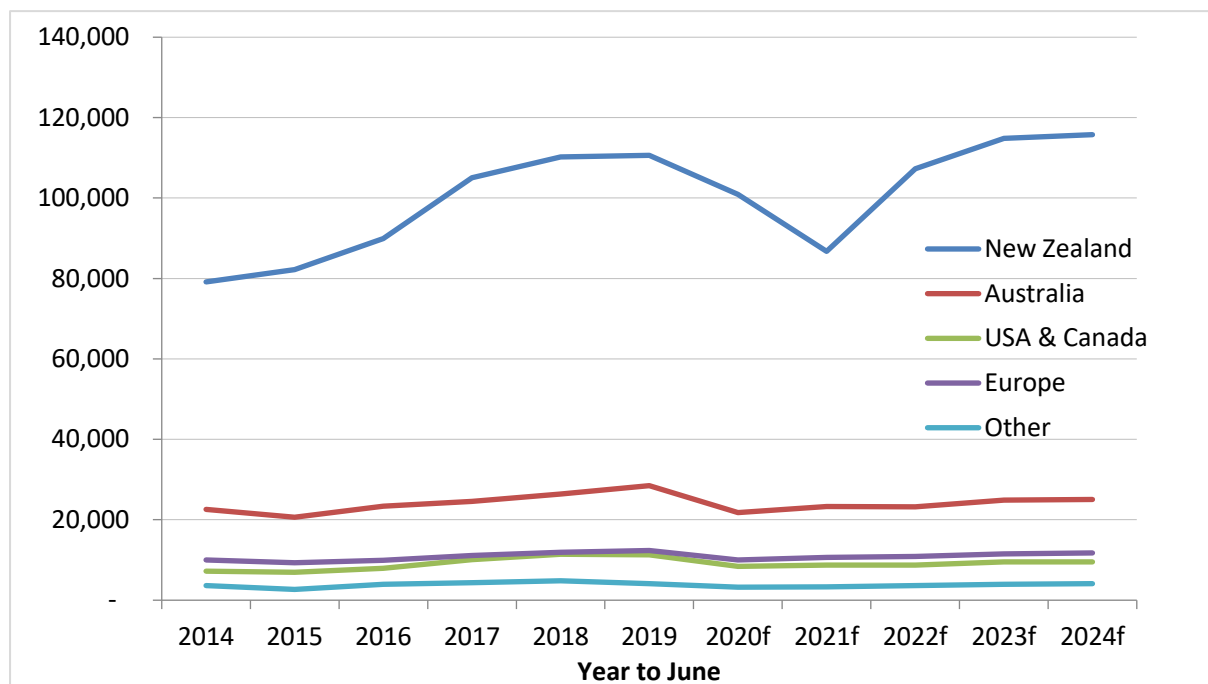
Figure 4-6 Visitor arrivals by country of residence, year to February (percentage change)



4.4.1 Forecast arrivals

Taking the impacts of the current pandemic and associated restrictions into account provides the following update to forecasted visitor arrivals over the forward estimates. The forecasts show a 13.5 per cent fall in arrivals for the end of the 2019/20 fiscal year, before a further 8.1 per cent fall in 2020/21. These are based on the assumption that arrivals do not improve until the end of the September Quarter.

Figure 4-7 Estimated arrivals, key market (persons)

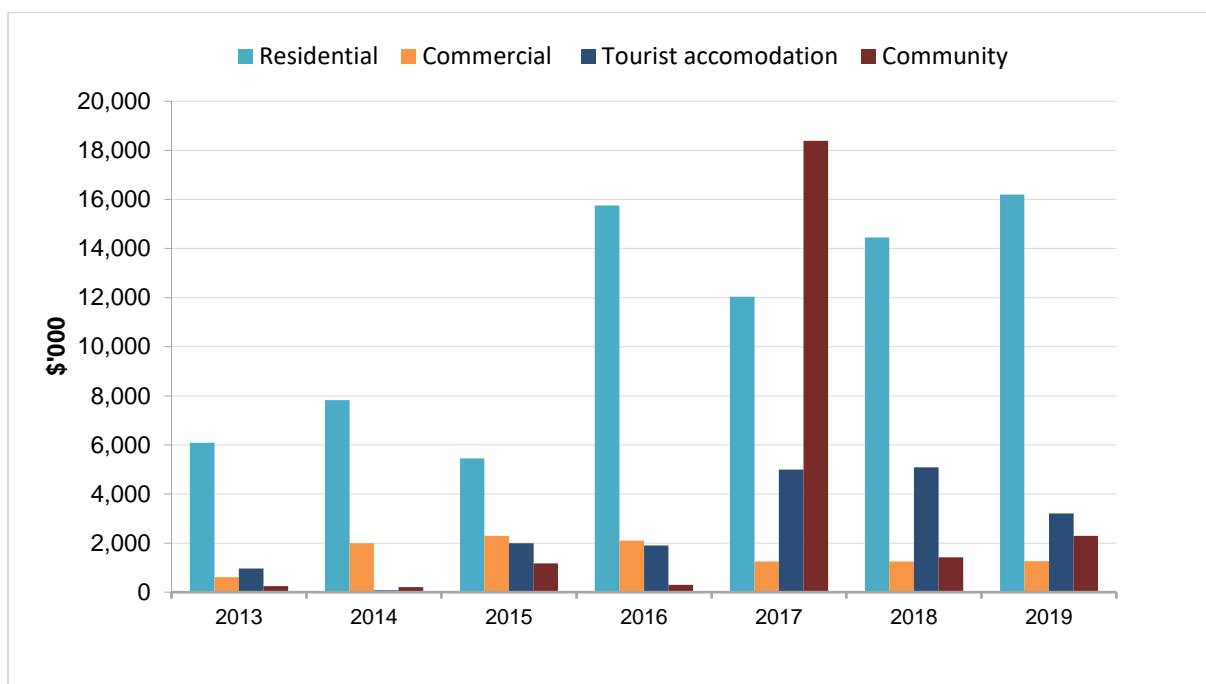


4.5 Housing and construction

An additional quarter of building approvals data, the September quarter 2019, has been released since the 2019/20 HYEFU.

The total value of Cook Islands building approvals in the year to September 2019 rose by 3 per cent to \$23.0 million from \$22.2 million in the year to September 2018 (see Figure 4-8). A 12 per cent rise in the value of residential sector approvals and a rise of 62 per cent in the community sector (from a low base) was partially offset by a decline in the tourism sector, falling by 37 per cent after the highs of 2017 and 2018.

Figure 4-8 Building approvals, year to September (\$'000)

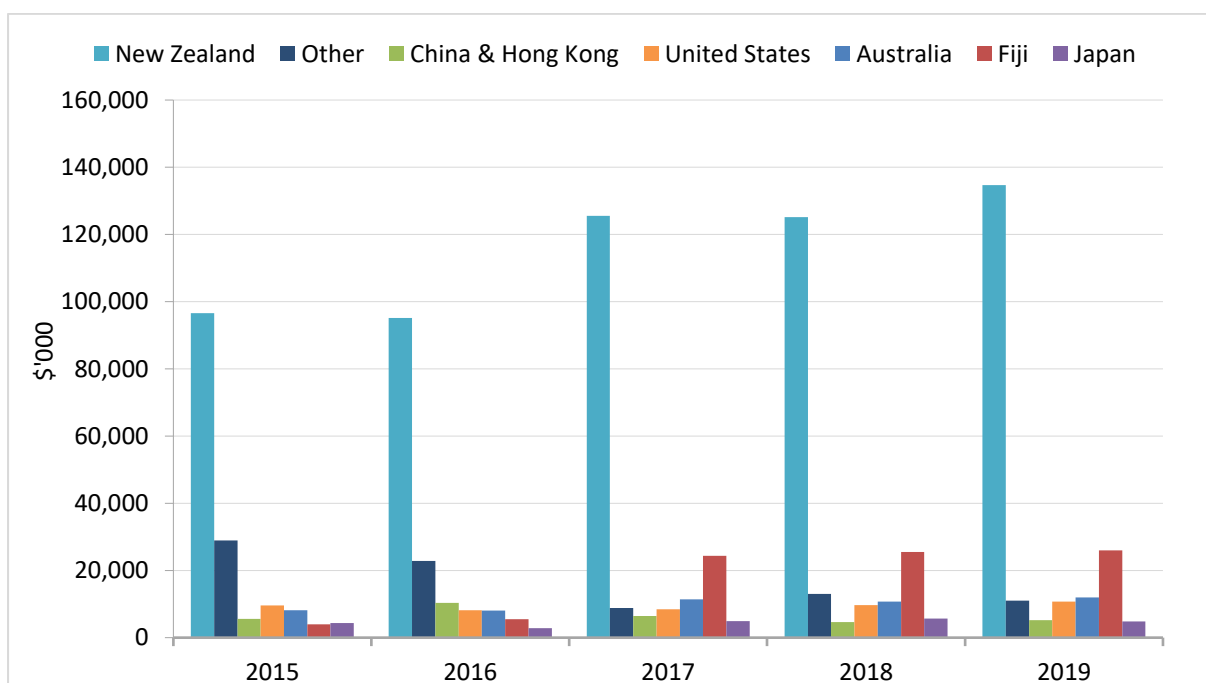


4.6 Merchandise Imports & Exports

4.6.1 Goods imports

Since the 2019/20 HYEFU, additional import data has been released, the most recent for the December quarter 2019. In the year to December 2019, the total value of imports into the Cook Islands rose by 5.2 per cent from \$194 million to \$204 million, the vast majority from New Zealand (see Figure 4-9). The primary driver of the increase was minerals & fuels, beverages and tobacco and crude materials, which more than offset falls in machines and transport, basic manufactures and food and live animals.

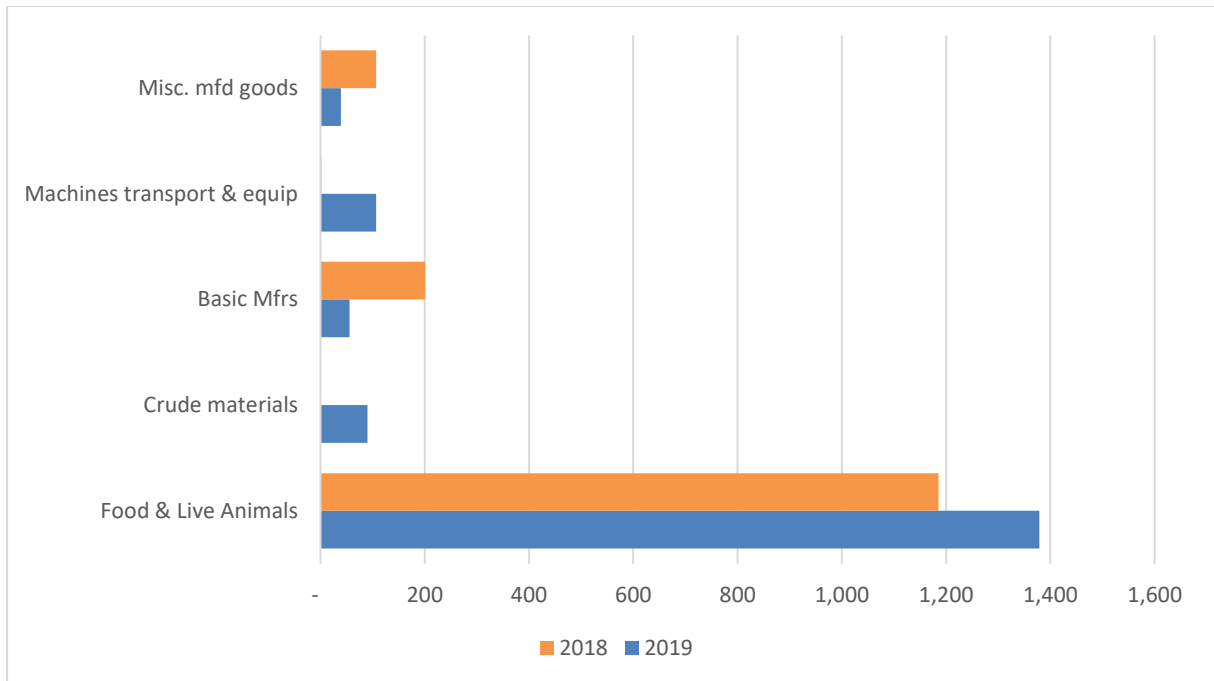
Figure 4-9 Import value by country of origin, year to December (\$'000)



4.6.2 Goods exports

Total goods exports rose in the year to December 2019 by 6.0 per cent to \$1.7 million.⁵ This rise is largely attributed a rise of 11.6 per cent in the export value of noni and a large increase in pearl shells and partially offset by a drop in pearl export value by 73 per cent (see Figure 4-10).

Figure 4-10: Major goods exports, 2018 to 2019 (\$'000)

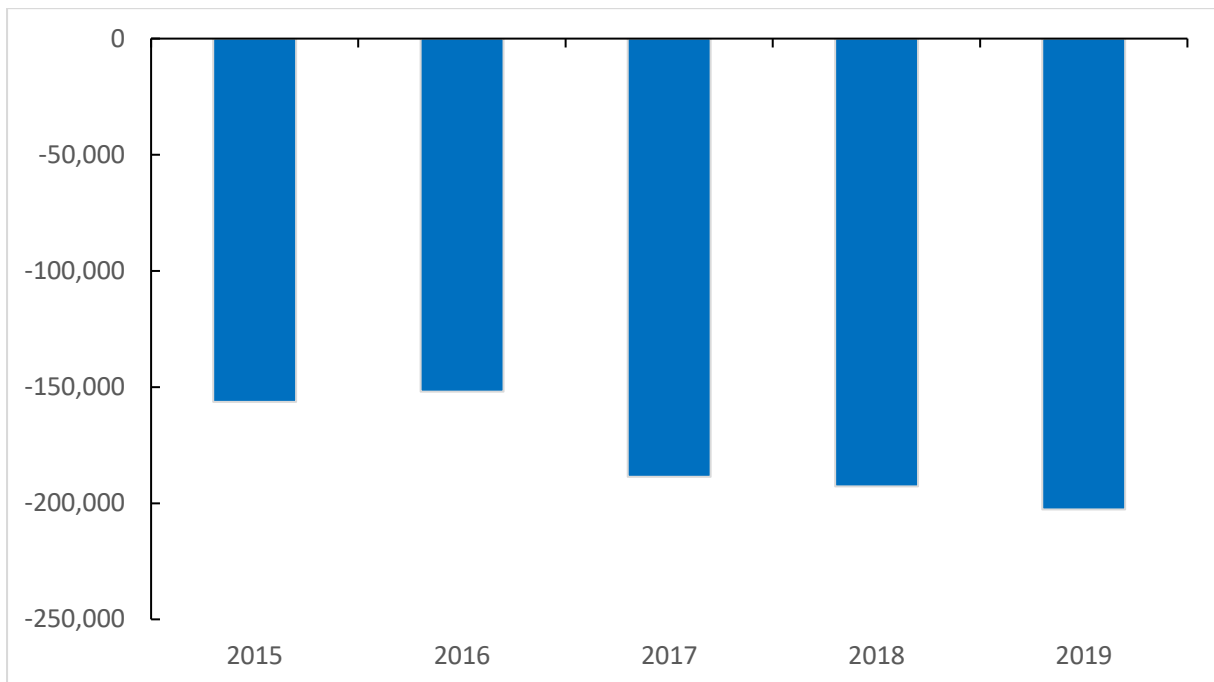


4.6.3 Merchandise balance of trade

Due to the positive growth in imports and fall in exports, a negative merchandise balance of \$202.7 million is estimated for the year to December 2019, an increase from the negative \$192.8 million in 2018 (see Figure 4-11).

⁵ The export values should be treated with caution until the fisheries adjustments are finalised.

Figure 4-11 Merchandise balance of trade, 2015 to 2019 (\$'000, year to Dec)

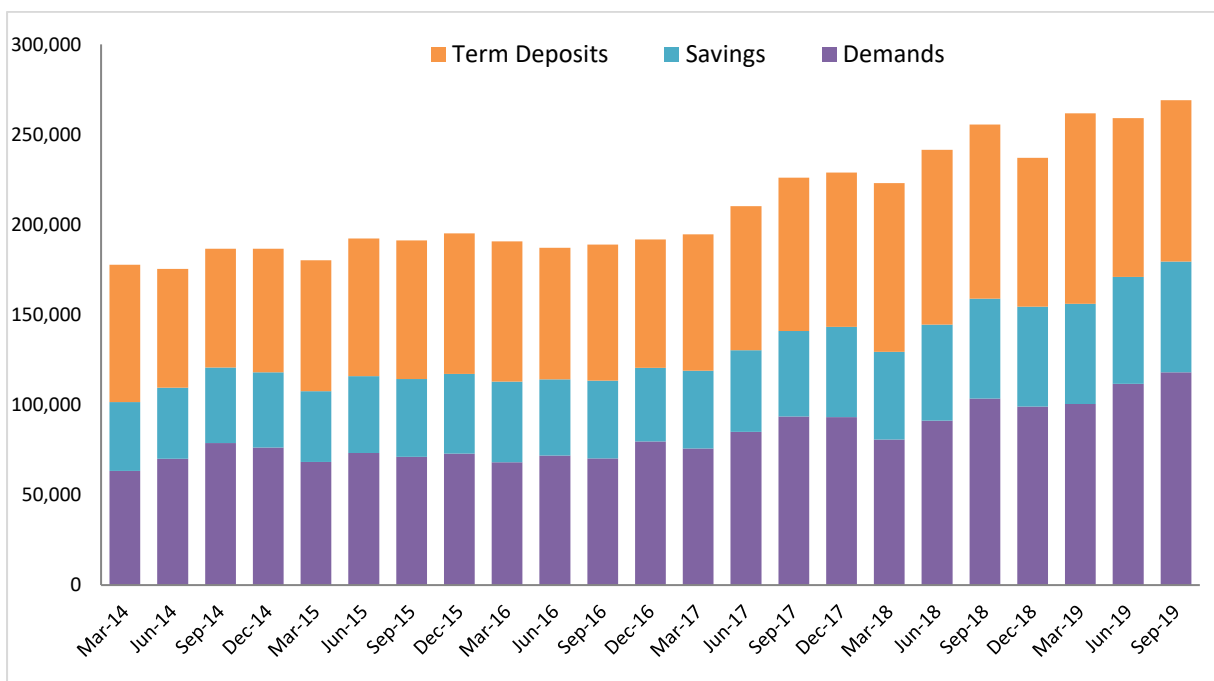


4.7 Banking and finance

4.7.1 Deposits

Since the 2019/20 HYEFU, additional banking data has been released, up to the September quarter 2019. Total deposits in Cook Islands banks in September 2019 rose by 5 per cent from \$255.5 million to \$269.0 million when compared to September 2018 (see Figure 4-12). The key driver of this increase, is a steep rise in demand deposits from \$103.5 million to \$118.0 million, partially offset by declines in term deposits.

Figure 4-12 Total value of bank deposits, March 2014 to September 2019(\$'000)

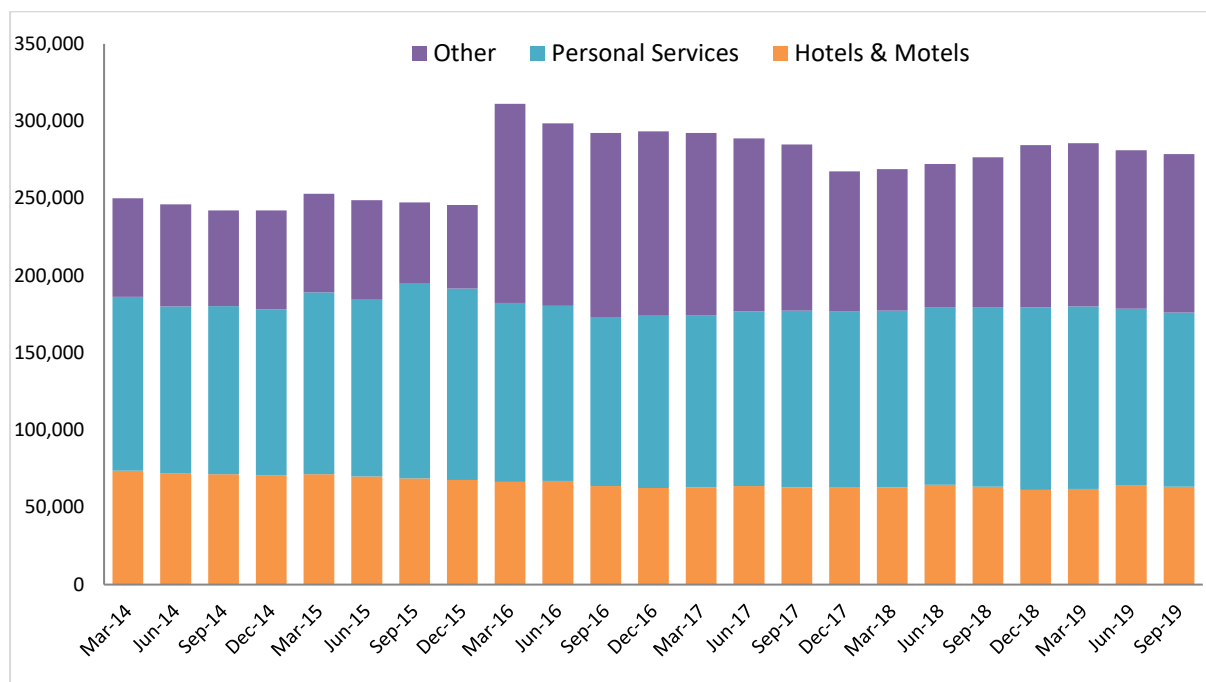


4.7.2 Loans

Lending by Cook Islands banks continues to be dominated by loans to the Personal services and Hotel and Motels industry sectors. In September 2019, the former accounted for 40 per cent and the latter 23 per cent of the total loan portfolio.

Total lending by Cook Islands banks in September 2019, when compared to September 2018, grew by 0.8 per cent from \$276.5 million to \$278.7 million (see Figure 4-13). This growth was primarily driven by strong growth in the finance and business sector, as well the other sector – while being partially offset by declines in lending to transport and communication.

Figure 4-13 Total value of bank loans, March 2014 to September 2019 (\$'000)



5 Crown Debt and Net Worth

5.1 Gross Debt owed by the Crown

Total gross debt owed by the Crown is estimated to be \$133.44 million by the end of the financial year June 2020, an increase of \$3.97 million from the amount reported in the 2019/20 budget.

The increase was driven mainly by the movement in foreign exchange rate of \$2.25 million, followed by the increase in the value of the ADB Disaster Risk Management (DRM) loan, by \$1.73 million, as a result of converting the loan currency from USD\$10.0 million to NZD\$15.68 million.

Table 5-1 Gross Debt estimated to 30 June 2020 (\$ million)

<i>Original Estimate</i>	Direct Debt	SOE Debt	Gross Debt
Loans committed and drawn	58.94	51.83	110.78
Loans committed but not drawn	13.95	4.74	18.69
Total Commitment - Original Estimate	72.89	56.57	129.47
<i>Movement since the 2019/20 Appropriation</i>			
Loans committed and drawn	5.47	-6.22	-0.75
Loans committed but not drawn	1.73	3.00	4.72
Total Movement	7.20	-3.22	3.97
<i>Updated Estimate - Appropriation Amendment</i>			
Loans committed and drawn	64.41	45.61	110.02
Loans committed but not drawn	15.68	7.74	23.42
Revised Total Estimate	80.09	53.35	133.44

The overall committed debt of \$133.44 million includes \$23.42 million of loans that have not been disbursed. The undisbursed loans relate to \$15.68 million for the Disaster Risk Management (DRM) loan, which will only be triggered and drawn down in the event of a catastrophe, and \$7.74 million for the Undersea Broadband Cable loan.

Debt held by the Crown on behalf of the SOE's is estimated at \$53.35 million are guaranteed by the Crown and are made up predominantly by debt from the ADB taken on behalf of the Avaroa Cable Limited (ACL) of \$23.41 million and Ports Authority of \$19.01 million.

Crown direct debt is estimated at \$80.09 million and made up mainly by the loan from EXIM bank of \$22.54 million for the Rarotonga water ring main upgrade, \$15.68 million disaster recovery loan from the ADB and \$11.26 million for renewable energy loan.

5.2 Crown Debt by Currency

5.2.1 Exchange rate assumptions

Table 5.2 Exchange Rate movement – 2019/20 – 2022/23

Movement	2019/20	2020/21	2021/22	2022/23
EUR	0.0052	0.0013	-0.0089	0.0019
USD	-0.0390	-0.0500	-0.0390	-0.0170
RMB	-0.0895	-0.2023	-0.1884	-0.0975
SDR	-0.0046	-0.0165	-0.0236	-0.0137

Table 5.2 demonstrates the movement in major trading currencies compared to the rates reported during the original budget 2019/20.

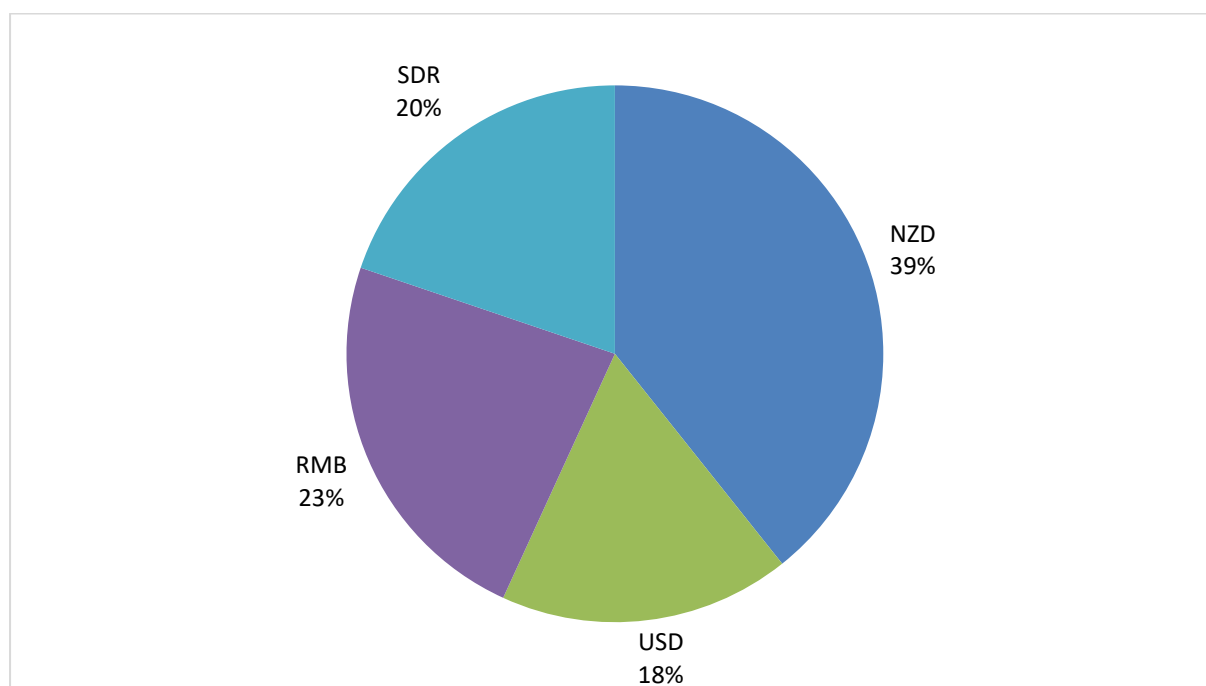
The NZD has suffered an increase in volatility as businesses fretted about the impact of the coronavirus. The NZD depreciated against all major currencies with the exception of the Euro in 2020 and 2021.

Table 5.3 Exchange Rate Assumptions 2019/20 – 2023/24

Currency	2019/20	2020/21	2021/22	2022/23	2023/24
EUR	0.5853	0.5707	0.5677	0.5751	0.5841
USD	0.6380	0.6460	0.6660	0.6910	0.6990
RMB	4.5241	4.4622	4.5298	4.6140	4.7050
SDR	0.4741	0.4611	0.4633	0.4738	0.4865

The assumptions for the major exchange rates against the New Zealand Dollar (NZD) have been used to calculate future NZD flows reported in this chapter.

Figure 5-1 Crown Debt by Currency June 2020

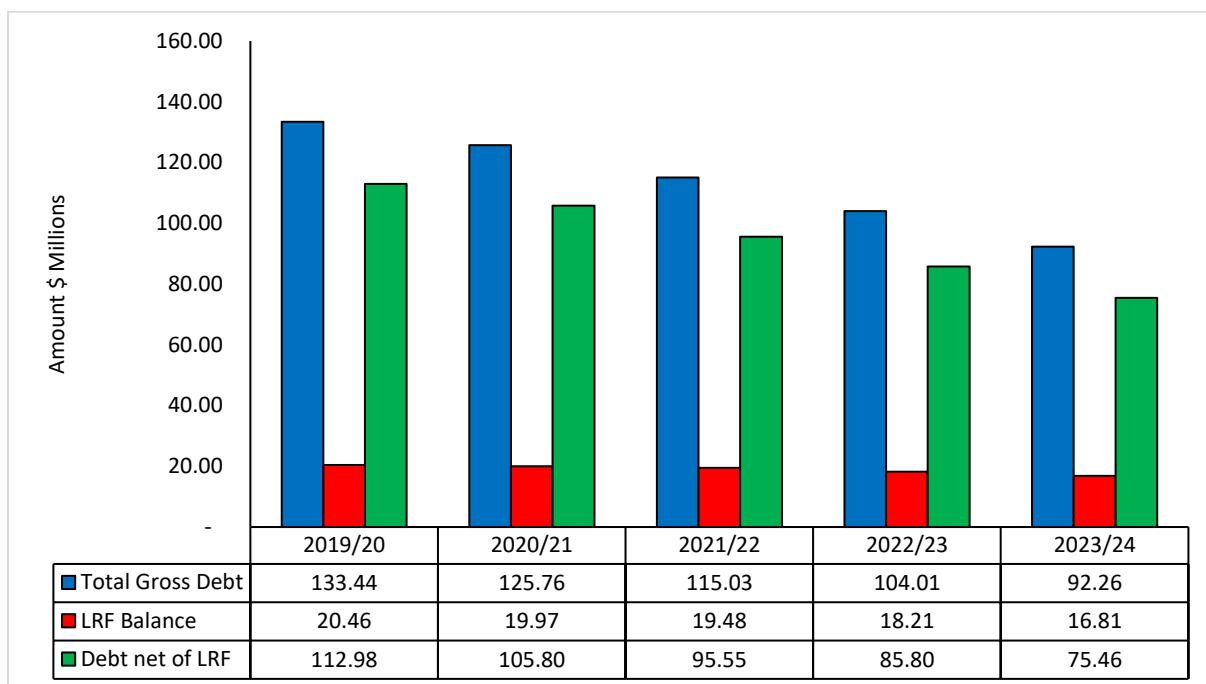


Managing the exchange rate risk for the Crown remains a high priority for government, part of the debt strategy in managing the exchange rate risk is to also hold foreign currency reserves, mainly in USD, which are then used to service debt repayments.

The government is also continually looking for avenues to convert as much of our loans into the NZD, this is reflected in Figure 5-1 with 39 per cent are held in the local currency. However, 61 per cent of overall debt are in foreign currency with debt held in the RMB at 23 per cent followed by SDR at 20 per cent and the USD at 18 per cent.

5.3 Crown debt net of Loan Repayment Fund

Figure 5-2 Crown debt net of Loan Repayment Fund

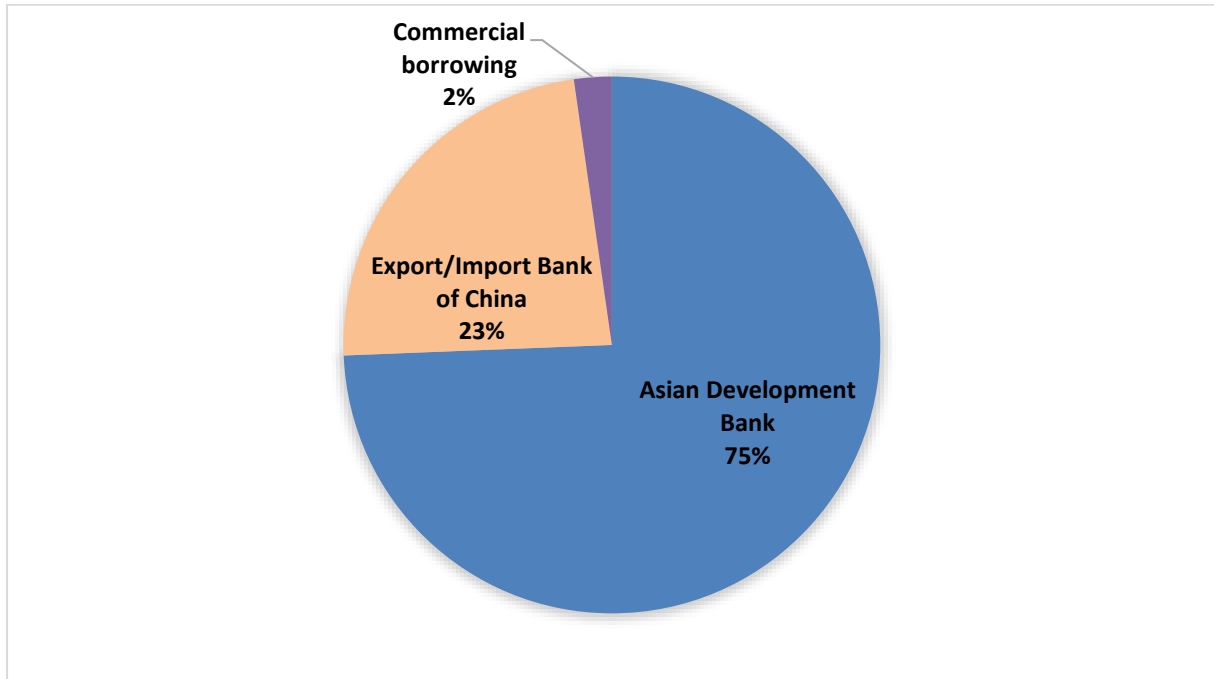


Net debt is estimated at \$112.98 million and gradually reduces in the outer years on the assumption that principal is repaid and Crown does not take on new loans.

The LRF has become the official means by which the Cook Islands government manages its debt portfolio mandated by the LRF Act 2014. The LRF Act ensures a framework for the prudential management of all sovereign debt and the timely allocation of money from the Budget for debt servicing.

5.4 Crown Debt by Lenders

Figure 5-3 Crown Debt by Lender 30 June 2020



The majority of the Crown debt is with the ADB with 75 per cent followed by 23 per cent from the Export/Import Bank of China and two per cent held with local commercial banks.

5.5 Status of Crown debt by individual loan

Total drawn down loans of \$110.02 million is the estimated direct liability in the Crown's balance sheet. However, the Crown is committed to an additional \$23.42 million of loans related to \$15.68 million DRM loan that will only be utilised and disbursed in the event of a catastrophe and the Undersea Broadband Cable loan of \$7.74 million which is estimated to be drawn down in the 2020/21 financial year.

Table 5-2 Status of Government loans to 30 June 2020

Loans committed and drawn	Date loan taken	Original loan amount (000's)	Expected date of Repayment	Current Balance (\$NZD 000's)
ADB 461 (SF) Multi Project	November, 1980	USD 1,000	August, 2020	54
ADB 567 (SF) CIDB Project	July, 1982	USD 1,500	April, 2022	162
ADB 849 (SF) 2nd Multi-Project	December, 1987	SDR 2,150	August, 2027	1,266
ADB 1031 (SF) Outer Islands Telecom Project	October, 1990	SDR 3,578	August, 2030	3,387
ADB 1155 (SF) 2nd CIDB Project	March, 1992	SDR 1,085	December, 2031	879
ADB 1171 (SF) Emerg. Telecom Rehab Project	August, 1992	SDR 349	June, 2032	305
ADB 1309 (SF) Pearl Industry Dev. Project	December, 1994	SDR 272	August, 2034	361
ADB 1317 (SF) Educ'n Dev Project	February, 1995	SDR 1,852	August, 2034	2,203
ADB 1380 (SF) 3rd CIDB Project	January, 1996	SDR 1,977	September, 2035	1,902
ADB 1466 (SF) Economic Restructure Program	September, 1996	SDR 3,430	September, 2036	4,367
ADB 1588 (SF) Cyclone Emergency Rehab Project	January, 1997	SDR 583	January, 2038	771
ADB 1832 (SF) Waste Mgt Project	December, 2001	SDR 1,695	June, 2033	1,808
ADB 2174 (SF) Cyclone Emergency Assist Project	June, 2005	SDR 1,895	June, 2045	3,369
China - Multi-Functional Indoor Sports Stadium	August, 2008	RMB 74,100	August, 2028	8,633
ADB 2472 (OCR) Avatiu Port Development Project*	September, 2009	NZD 10,309	November, 2033	8,583
ADB 2473 (SF) Avatiu Ports Development project	September, 2009	SDR 4,524	November, 2040	5,592
ADB 2565 OCR Economic Recovery Support Program 1*	January, 2010	NZD 11,053	October, 2024	4,522
ADB 2739 (OCR) Amendment Avatiu Port project*	December, 2011	NZD 5,290	November, 2035	4,837
China - Rarotonga Water Ring Main Upgrade	December, 2012	RMB 118,000	December, 2032	22,540
ADB 2946 OCR Economic Recovery Support Program 2	December, 2012	NZD 11,053	October, 2027	4,531
ADB 3193 Renewable Energy Project	December, 2014	NZD 12,980	June, 2036	11,255
ADB 3479 - Disaster Risk Management	TBC	NZD 15,676	TBC	0
ADB 3632 - Loan for Undersea Broadband Cable	November, 2018	USD 15,000	2031	15,674
Commercial - Loan for Rarotonga Airport Equipment	January, 2018	NZD 3,206	2033	3,024
Total Loans Drawn Down				110,024
Loans committed but not drawn				
ADB 3479 - Disaster Risk Management	TBC	NZD 15,676	TBC	15,676
ADB 3632 - Loan for Undersea Broadband Cable	November, 2018	USD 15,000	2031	7,740
Total Loans committed but not drawn				23,416

*These loans have been converted to NZD

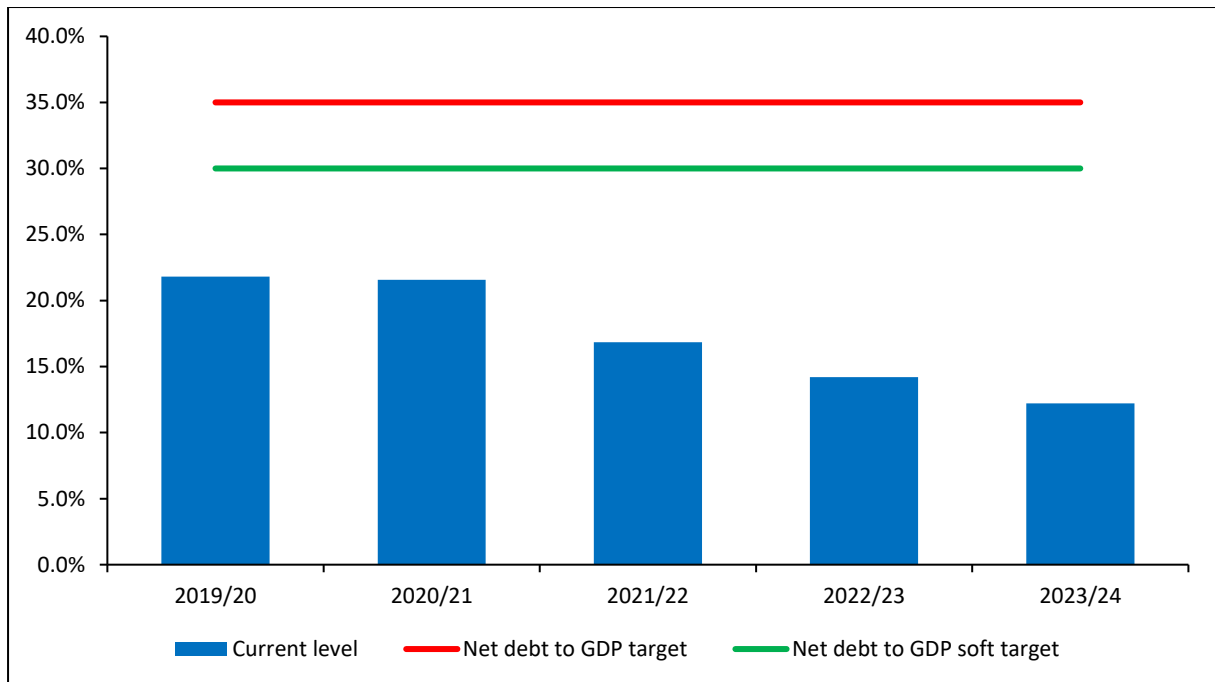
5.6 Debt Headroom

Table 5-3 Current Borrowing Statement (\$ million)

Current Statement	2019/20	2020/21	2021/22	2022/23	2023/24
Gross Crown Debt	133.44	125.76	115.03	104.01	92.26
<i>Direct Crown Debt</i>	<i>64.41</i>	<i>59.44</i>	<i>53.28</i>	<i>46.94</i>	<i>40.68</i>
<i>SOE debt</i>	<i>53.35</i>	<i>50.65</i>	<i>46.08</i>	<i>41.40</i>	<i>37.21</i>
<i>Contingent (Disaster) debt</i>	<i>15.68</i>	<i>15.68</i>	<i>15.68</i>	<i>15.68</i>	<i>14.37</i>
... net of LRF	112.98	105.80	95.55	85.80	75.46
... net of LRF, as percentage of GDP	22%	22%	17%	14%	12%
Loan Repayment Fund Held	20.46	19.97	19.48	18.21	16.81
Gross Debt Servicing	9.88	11.40	12.02	11.59	12.60
<i>Direct Crown Debt</i>	<i>6.99</i>	<i>7.12</i>	<i>6.88</i>	<i>6.68</i>	<i>7.77</i>
<i>SOE debt excl Cable loan</i>	<i>2.72</i>	<i>2.84</i>	<i>2.51</i>	<i>2.40</i>	<i>2.38</i>
<i>Contingent (Disaster) debt</i>	<i>0.00</i>	<i>0.00</i>	<i>0.32</i>	<i>0.32</i>	<i>0.32</i>
Net Debt Servicing	7.15	8.56	9.19	8.87	9.90
... as percentage of Total Revenue	4%	5%	5%	5%	5%

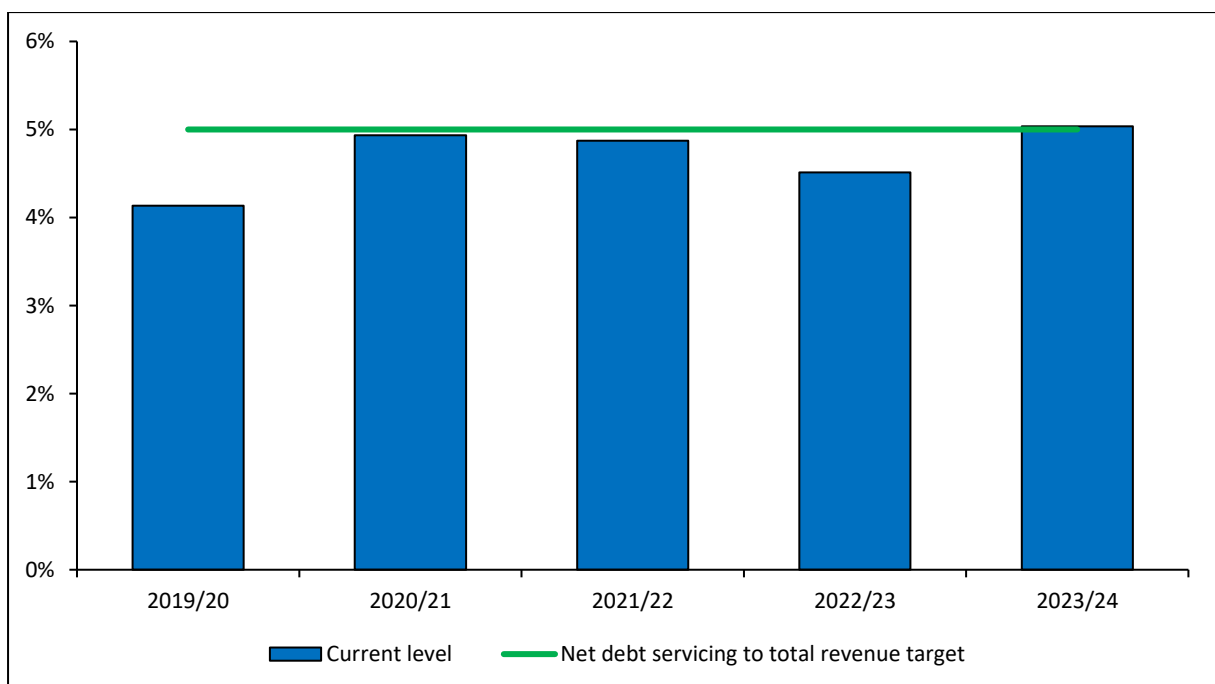
The GDP estimates has been revised downward to reflect the impact on the economy as a result of the COVID-19 virus outbreak. These are based on current assumptions and will be revised when we know more.

Figure 5-4 Crown Net Debt to GDP 30 June 2020



The revised GDP has therefore adversely impacted on the debt to GDP ratio which increased it from 19 per cent to 21.8 per cent, a 2.8 per cent increase. Although still within the fiscal responsibility ratio threshold of 35 per cent, the government will be more cautious in managing its overall debt to ensure serviceability in the current economic environment.

Figure 5-5 Crown Net Debt Servicing to Total Revenue 30 June 2020



The estimated debt servicing to total revenue is at 4 per cent and remain at or within the threshold of five per cent for the next four years.

The total revenue has also been revised downward as the economy is expected to slow down due to the COVID-19 virus outbreak. Further downward revision of the total revenue will affect debt servicing ability of the Crown and its impact should be realised within the next six to 12 months.

5.7 Other State-Owned Enterprise Debt

Since the enactment of the LRF Act, all new Crown debt (including SOE debt) must go through a full debt sustainability analysis, and be approved by Cabinet (via the Minister of Finance), on the advice of the Financial Secretary.

Airport Authority

The Airport Authority is currently paying off its loan from the commercial bank (2020: \$3.024 million). The estimate for 2019/20 includes an additional loan of \$1.0 million for the RESA project and for the building of the Air NZ cargo shed. The loan is to be secured by registered mortgage debenture over the assets and undertakings of the Authority.

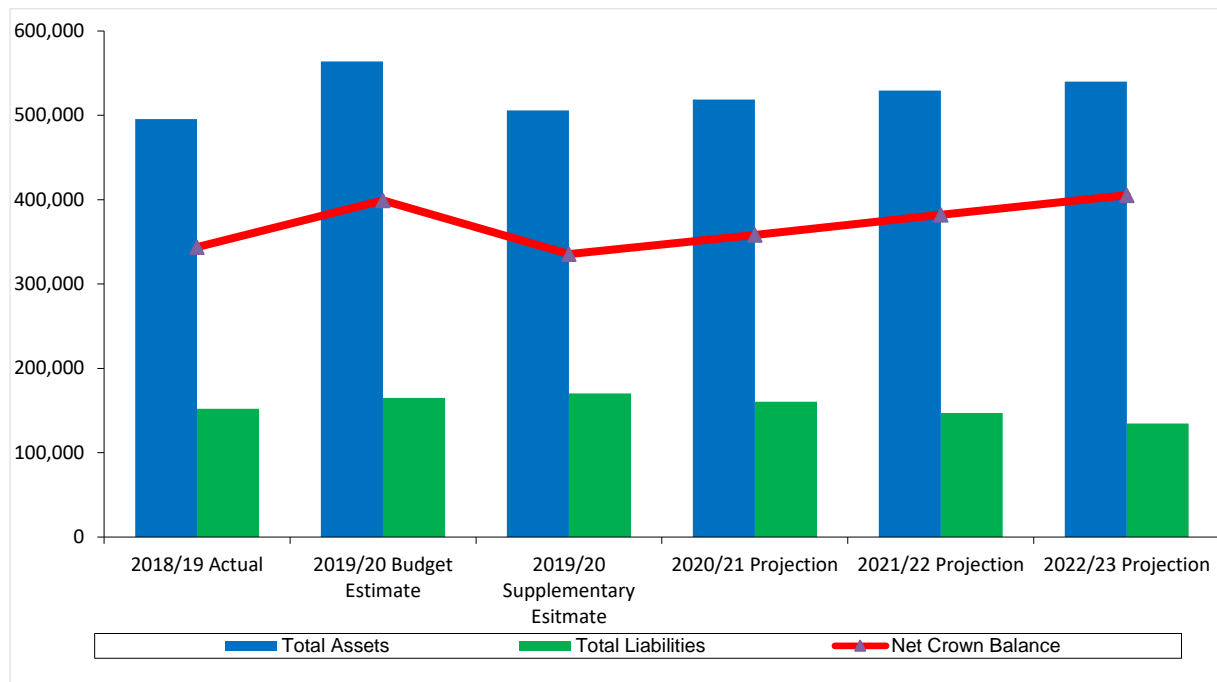
Ports Authority

The Ports Authority is currently repaying its loan obligations to the ADB (2020: \$19.01 million) and have made lump sum prepayments as part of managing its debt exposure to foreign exchange movement and more importantly continue to improve its serviceability. Taking on any further debt is not a feasible option given the high gearing position the Authority is already in.

5.8 Net worth

Government's net worth is the difference between Crown assets and Crown liabilities providing a snapshot of Government's ability/inability to service all its creditors. There are currently no clear guides to determining an optimal level of public sector net worth; however analysing the Government's net worth and what causes it to change can lead to understanding the need for appropriate policies.

Figure 5-6 Net Worth 2019/20 to 2022/23, (\$'000)



The estimated net worth of the Crown as at Amended Estimates 2019/20 has increased from the 2018/19 actuals of \$291.5 million to \$293.4 million. This is a net movement of \$1.9 million. This net movement is caused by a decreased in Cash and Equivalents (Assets) due to the Governments COVID-19 Economic Recovery Package totaling \$61 million. In addition, this net movement was also attributed to the increase in Crown Gross Borrowings.

The Crown's net worth is expected to increase in the outer years from 2019/20 as long as there is an estimated operating surplus.

6 Schedules

6.1 Statement of Fiscal Responsibility (Operating)

Operating Statement (\$'000)

	2018/19 Actual	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Operating Revenue					
Taxation Revenue	159,060	130,554	136,265	151,270	159,088
Other Crown Revenue	30,049	25,115	19,892	19,932	19,892
Trading Revenue	7,746	4,927	4,929	4,949	4,949
Interest on Loans to Subsidiaries	760	830	830	830	830
Dividends	4,556	2,070	2,147	2,171	2,241
Interest on Balances	2,483	1,740	1,740	1,740	1,740
Core Sector Support	7,730	14,730	7,730	7,730	7,730
Total Operating Revenue (excluding Bonus)	212,385	179,966	173,533	188,622	196,470
<i>Performance Based Budget Support - Bonus Payment</i>	0	0	0	0	0
<i>Total Operating Revenue (including Bonus)</i>	212,385	179,966	173,533	188,622	196,470
Operating Expenditure					
Ministry Outputs	123,997	166,579	140,377	141,476	139,522
<i>Personnel</i>	53,065	63,000	67,383	71,065	71,422
<i>Operating</i>	23,316	20,656	21,691	21,702	21,710
<i>Administered Payments</i>	41,328	75,926	44,337	41,743	39,424
<i>Depreciation</i>	6,287	6,996	6,966	6,966	6,966
POBOC	26,262	28,159	27,884	27,827	27,912
Airport Authority subsidy	0	0	0	0	0
Airport Authority Capital	0	0	0	0	0
Bank of the Cook Islands - social assistance subsidy	0	0	0	0	0
Provisional for Doubtful Debts	0	0	0	0	0
Cook Islands Primary Schools 50 year Saver	0	0	0	0	0
Public Sector Strengthening	0	0	0	0	0
Ports Authority - subsidy	0	0	0	0	0
Te Aponga Uira - social assistance subsidy	0	0	0	0	0
Debt Interest Contribution to LRF	2,082	2,228	2,102	1,895	1,695
Asset Management (CIIC)	0	0	0	0	0
Crown Infrastructure Depreciation	2,084	4,603	4,603	4,603	4,603
Transfer to Emergency Response Trust Fund	50	50	50	50	50
Depreciation Contingency Fund	0	2,174	2,174	2,174	2,174
<i>Chinese Equipment</i>	0	0	0	0	0
<i>Rarotonga Water Network</i>	0	802.5	803	803	803
<i>Northern Pa Enua Renewable Energy System</i>	0	400	400	400	400
<i>Southern Pa Enua Renewable Energy System (excl. Aitutaki)</i>	0	971.08	971	971	971
<i>Other Assets</i>	0	0	0	0	0
Contingency Funds - Operating	308	850	100	100	100
Contributions to CISWF	2,726	0	0	0	0
Total Operating Expenses	157,508	204,642	177,288	178,123	176,054
Operating Surplus/(Shortfall) (excluding Bonus)	54,877	-24,676	-3,755	10,499	20,416
<i>Operating Surplus/(Shortfall) (including Bonus)</i>	54,877	-24,676	-3,755	10,499	20,416

6.2 Statement of Fiscal Responsibility (Non-Operating)

Financing and Applications Statement (\$'000)

	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Reductions in Net Borrowings						
Loan Disbursements	(1,095)	(17,282)	(17,282)	(4,741)	0	0
Principal repayment	7,558	7,314	7,386	8,430	9,281	9,092
	6,463	(9,968)	(9,896)	3,689	9,281	9,092
Capital Expenditures						
Ministries and Outer Islands (Including CIIC Capital)	36,102	40,710	50,154	35,540	26,070	25,520
<i>Infrastructure Capital Investment in SOE's</i>	0	0	0	0	0	0
Airport Authority	0	0	0	0	0	0
Te Aponga Uira	0	0	0	0	0	0
Contingency Funds - Capital Expenditure	0	0	0	0	0	0
	36,102	40,710	50,154	35,540	26,070	25,520
Foreign Aid						
Receipts	19,615	57,489	57,489	28,879	14,599	3,836
Expenditure	(19,615)	(57,489)	(57,489)	(28,879)	(14,599)	(3,836)
	0	0	0	0	0	0
Other Committed Considerations						
Transfer to Reserve Trust Fund	795	0	0	0	0	0
Stabilisation Fund	0	56,700	56,700	0	0	0
Advanced Subsidiaries	0	0	17,282	4,741	0	0
Infrastructure Trust Fund	0	0	12,000	0	0	0
Disaster Response Fund	50	50	50	50	50	50
	845	56,750	86,032	4,791	50	50
Total Non-Operating balance	(43,411)	(87,492)	(126,290)	(44,020)	(35,401)	(34,662)
To be Funded by						
Operating Surplus	54,877	18,581	(31,676)	(3,755)	10,499	20,416
Depreciation	8,370	13,742	13,772	13,742	13,742	13,742
<i>of which: R.E. Capital Replacement</i>	0	1,371	1,371	1,371	1,371	1,371
Unencumbered Cash Reserves	(29,674)	44,776	122,729	23,393	(104)	(9,541)
Contribution to Loan Reserve Fund	9,787	10,343	9,414	10,590	11,214	9,995
Transfer to Infrastructure Trust Fund		0	12,000			
Transfer to Emergency Response Trust Fund	50	50	50	50	50	50
	43,411	87,492	126,290	44,020	35,401	34,662
Net Surplus/Shortfall	0	0	0	0	0	0

¹ During the 2019/20 fiscal year the New Zealand Government (NZG) provided a grant of \$12 million to the Cook Islands Government (CIG) which was immediately transferred into the 'Infrastructure Trust Fund' (Fund). This fund has joint signatories between NZG and CIG representatives and is to be used for restricted projects such as the Vaikapuangi Government Building Project. The Fund has not been appropriated in the 2019/20 Budget and is not reported as ODA expenditure or as CIG operating cash, but it is reflected here for completeness. The Fund will be appropriated as ODA once NZG and CIG have agreed on the expenditures.

6.3 Schedule 1 – Agency Budget Appropriations

Agency	Personnel	Operating	Administered Payments	Depreciation	Gross Current Appropriation	Trading Revenue	Net Current Appropriation
Agriculture	1,006,072	315,509	0	22,181	1,343,762	90,535	1,253,227
Audit (PERCA)	993,854	114,300	0	21,000	1,129,154	60,700	1,068,454
Crown Law	769,756	181,319	350,000	6,000	1,307,075	0	1,307,075
Cultural Development	740,850	164,502	977,500	112,322	1,995,174	150,000	1,845,174
Business Trade and Investment Board	432,796	344,866	0	4,500	782,162	28,000	754,162
Education	11,366,964	3,275,358	4,612,289	641,000	19,895,611	0	19,895,611
Environment	971,843	351,952	497,389	30,381	1,851,565	35,000	1,816,565
Finance and Economic Management	5,024,219	926,483	46,483,433	358,344	52,792,480	954,341	51,838,139
Financial Services Development Authority	242,797	277,906	0	9,868	530,571	0	530,571
Foreign Affairs	1,815,692	868,103	15,000	77,726	2,776,521	28,000	2,748,521
Head Of State	162,503	43,603	36,000	8,057	250,163	0	250,163
Health	11,643,618	2,842,444	2,146,870	886,614	17,519,546	350,000	17,169,546
Infrastructure Cook Islands	2,399,009	444,564	3,200,000	241,596	6,285,169	300,000	5,985,169
Internal Affairs	1,195,725	327,199	3,217,810	20,113	4,760,847	6,000	4,754,847
<i>of which: Welfare Payments - Allowances</i>			1,291,309				
Justice	1,930,495	377,805	460,000	87,463	2,855,763	550,000	2,305,763
Corrective Services	1,237,842	303,115	0	43,984	1,584,941	100,000	1,484,941
Marine Resources	1,231,685	745,933	300,000	95,000	2,372,618	28,000	2,344,618
Ombudsman	256,350	68,226	0	5,822	330,398	0	330,398
Parliamentary Services	557,267	89,421	92,414	19,579	758,681	0	758,681
Police	3,798,527	541,724	365,662	1,009,948	5,715,861	201,783	5,514,078
Prime Minister's Office	1,453,400	396,447	1,063,000	59,039	2,971,886	0	2,971,886
Public Service Commission	375,149	285,616	1,741,645	21,200	2,423,610	0	2,423,610
Tourism Corporation	1,918,191	2,398,471	4,922,000	48,000	9,286,662	150,000	9,136,662
Transport	899,951	208,034	0	52,247	1,160,232	36,000	1,124,232
Cook Islands Investment Corporation	1,507,476	1,353,014	5,307,419	50,000	8,217,909	753,831	7,464,078
Cook Islands Seabed Minerals Authority	231,778	184,127	138,167	9,387	563,459	0	563,459
Total Ministries, Crown & Statutory Agencies	54,163,809	17,430,040	75,926,598	3,941,371	151,461,818	3,822,190	147,639,628

Agency	Personnel	Operating	Administered Payments	Depreciation	Gross Current Appropriation	Trading Revenue	Net Current Appropriation
Ministerial Support							
Prime Minister	301,696	109,773	0	11,100	422,569	0	422,569
Deputy Prime Minister	260,784	81,289	0	7,927	350,000	0	350,000
Minister Vaine Mokoroa	121,200	163,300	0	5,500	290,000	0	290,000
Minister Vainetutai Toki-Brown	181,000	97,838	0	11,162	290,000	0	290,000
Minister Robert Tapaitau	188,000	92,010	0	9,990	290,000	0	290,000
Minister George Angene	164,000	114,000	0	12,000	290,000	0	290,000
7th Minister Office	180,000	108,000	0	2,000	290,000	0	290,000
Leader Of Opposition	115,160	168,040	0	6,800	290,000	0	290,000
Total Ministerial Support Offices	1,511,840	934,250	0	66,479	2,512,569	0	2,512,569
Outer Islands							
Aitutaki	1,209,626	416,495	0	434,365	2,060,486	67,828	1,992,658
Atiu	851,976	427,184	0	416,555	1,695,715	224,318	1,471,397
Mangaia	943,706	578,760	0	635,824	2,158,290	301,000	1,857,290
Manihiki	707,715	150,616	0	474,383	1,332,714	119,000	1,213,714
Mauke	730,255	212,655	0	417,034	1,359,944	113,853	1,246,091
Mitiaro	678,693	73,824	0	91,242	843,759	60,900	782,859
Palmerston	282,500	65,474	0	84,399	432,373	20,500	411,873
Penrhyn	599,964	163,309	0	138,881	902,154	74,000	828,154
Pukapuka-Nassau	906,017	142,706	0	213,381	1,262,104	73,695	1,188,409
Rakahanga	415,294	59,249	0	82,406	556,949	50,000	506,949
Total Outer Islands	7,325,746	2,290,272	0	2,988,470	12,604,488	1,105,094	11,499,394
Gross Total	63,001,395	20,654,562	75,926,598	6,996,320	166,578,875	4,927,284	161,651,591

6.4 Schedule 2 – Payments on Behalf of the crown (POBOCS)

Administering Ministry	POBOC	2019/20 Budget Estimate	2019/20 Amended Estimate	Variance
Compensation of Employees				
Finance & Economic Management	Parliamentary Superannuation	180,000	180,000	0
Audit	PERC Salaries and Administration Costs	57,500	57,500	0
Parliamentary Services	Civil List - Personnel	2,901,961	2,901,961	0
Parliamentary Services	House of Ariki	348,420	348,420	0
Compensation of Employees POBOCs		3,487,881	3,487,881	0
Use of Goods and Services				
Audit	Audit Fees	95,600	95,600	0
Prime Minister's Office	Local Government Election	30,000	30,000	0
Parliamentary Services	Civil List - Constituency Visits	170,200	200,200	30,000
Parliamentary Services	Parliamentary Sitting Expenses	150,000	332,904	182,904
Parliamentary Services	QR Travel and Allowances (local and overseas)	109,000	109,000	0
Parliamentary Services	MP Travel and Allowances (local and overseas)	341,000	541,000	200,000
Foreign Affairs	International Maritime Organisation - Maritime Cook Islands	63,461	63,461	0
Use of Goods and Services POBOCs		959,261	1,372,165	412,904
Subsidies				
Cook Islands Investment Corporation	Airport Authority subsidy	2,047,997	2,047,997	0
Cook Islands Investment Corporation	Bank of the Cook Islands - social assistance subsidy	128,000	128,000	0
Cook Islands Investment Corporation	Ports Authority - subsidy	110,099	110,099	0
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380,000	380,000	0
Subsidies POBOCs		2,666,096	2,666,096	0
Social Assistance				
Internal Affairs	Welfare Payments	19,689,535	19,689,535	0
Social Assistance POBOCs		19,689,535	19,689,535	0
Other Expense				
Finance & Economic Management	Pacific Catastrophe Risk Insurance	120,694	120,694	0
Finance & Economic Management	CIG Insurance	100,000	100,000	0
Finance & Economic Management	BEPS Subscription	35,000	35,000	0
Foreign Affairs	International Subscriptions	687,967	687,967	0
Other Expenses POBOCs		943,661	943,661	0
Grand Total		27,746,434	28,159,338	412,904

6.5 Schedule 3 – Cook Islands Capital Spending

	2019/20 Budget	2019/20 Amended Estimate	Variance
Cook Islands Government Capital programs	40,710,336	50,153,924	9,443,588
Total Capital spending	40,710,336	50,153,924	9,443,588

6.6 Schedule 4 – Official Development Assistance

	2019/20 Budget	2019/20 Amended Estimate	Variance
Operating or recurrent expenditure	10,396,102	9,629,446	-766,656
Capital Project Expenditure	40,093,335	47,859,991	766,656
Total Official Development Assistance	57,489,437	57,489,437	0

6.7 Schedule 5a – Other Expenses and Financing Transactions

Category of Expense	2019/20 Budget	2019/20 Amended Estimate	Variance
Contingency Funds - Operating	100,000	850,000	750,000
Crown Infrastructure Depreciation	4,602,500	4,602,500	0
Provisional for Doubtful Debts	0	0	0
Transfer to Emergency Response Trust Fund	50,000	50,000	0
Advanced Subsidiaries	0	17,282,000	17,282,000
Transfer to Reserve Trust Fund	0	0	0
Depreciation Contingency Fund	2,173,580	2,173,580	0
Total Other Expenses	6,926,080	24,958,080	18,032,000

6.8 Schedule 5b – Loan Repayment Fund Appropriation

Category of Appropriation	2019/20 Budget	2019/20 Amended Estimate	Variance
Contribution to LRF - Principal	7,696,000	7,696,000	0
Contribution to LRF - Interest	2,229,000	2,229,000	0
Total Contribution to LRF	9,925,000	9,925,000	0

6.9 Summary

Category of Payment	2019/20 Budget	2019/20 Amended Estimate	Variance
Schedule 1 - Ministry Outputs (Gross Operating)	133,443,249	166,578,875	33,135,626
Schedule 2 - POBOCs	27,746,434	28,159,338	412,904
Schedule 3 - CIG Capital Expenditure	40,710,336	50,153,924	9,443,588
Schedule 4 - Official Development Assistance	57,489,437	57,489,437	0
Schedule 5a - Other Expenses and Financing Transactions	6,926,080	24,958,080	18,032,000
Schedule 5b - Loan Reserve Fund Appropriations	9,925,000	9,925,000	0
TOTAL APPROPRIATION	276,240,536	337,264,654	61,024,118

6.10 Schedule 6 – Capital Schedule

MINISTRY	Island	PROJECT/PROGRAMME	FUNDING SOURCE	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Ministry of Agriculture				30,091	0	80,000	0	0	0
	Rarotonga	Vanilla Shade House	CIG	30,091	0	0	0	0	0
	Rarotonga	Upgrade of Nursery Facilities	CIG	0	0	80,000	0	0	0
Cook Islands Investment Corporation				951,277	5,680,000	7,153,896	7,220,000	11,450,000	10,000,000
	Rarotonga	3 Building Repair	CIG	0	550,000	795,000	0	0	0
	Rarotonga	MFEM Building	CIG	0	540,000	540,000	0	0	0
	Atiu	School Upgrade	CIG	0	480,000	480,000	350,000	0	0
	Rarotonga	Land Acquisition	CIG	0	2,000,000	1,700,000	2,000,000	1,000,000	0
	Aitutaki	Orongo Development Master Plan and Centre reconstruction (Ports Authority)	CIG	0	500,000	500,000	500,000	0	0
	Aitutaki	Government Building Project	CIG	0	60,000	60,000	170,000	450,000	0
	Rarotonga	To Tatou Vai	CIG	0	150,000	281,614	0	0	0
	Various	Health Project	CIG	0	800,000	800,000	200,000	0	0
	Rarotonga	Vaikapuangi Government Building	CIG	200,464	600,000	687,767	4,000,000	10,000,000	10,000,000
	Rarotonga	Te Mato Vai - Stage 1: road & pipeline easement & Stage 2 land acquisition for water intakes	CIG	0	0	50,000	0	0	0
	Rarotonga	TMV Titikaveka Backroad Rehabilitation	CIG	0	0	27,000	0	0	0
	Rarotonga	Relocation of Oral Health Services	CIG	0	0	100,000	0	0	0
	Rarotonga	Prison Development Programme	CIG	0	0	300,000	0	0	0
	Rarotonga	Nukutere Rebuild	CIG	625,000	0	0	0	0	0
	Pukapuka	Pukapuka Hospital Reconstruction	CIG	12,100	0	314,415	0	0	0
	Rarotonga	Tereora College Redevelopment Stage 1	CIG	113,713	0	0	0	0	0
	Rarotonga	Removal of AM radio mast	CIG	0	0	318,100	0	0	0
	Various	FM and TV Telecommunications for the Pa Enuā	CIG	0	0	200,000	0	0	0
Police				0	70,000	70,000	0	0	0
	Rarotonga	Integrated Communication System	CIG	0	70,000	70,000	0	0	0
Education				160,276	360,000	360,000	360,000	360,000	360,000
	National	Fund to be Prioritised by Education	CIG	160,276	360,000	360,000	360,000	360,000	360,000

MINISTRY	Island	PROJECT/PROGRAMME	FUNDING SOURCE	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Health				657,531	400,000	580,841	1,600,000	400,000	300,000
	National	Fund to be Prioritised by Health for Technical Equipment	CIG	453,045	300,000	300,000	300,000	300,000	300,000
	Rarotonga	CT Scanner	CIG	0	100,000	0	1,300,000	100,000	0
	Rarotonga	Medical Service Bed End Panels	CIG	38,664	0	0	0	0	0
	Rarotonga	Ambulance	CIG	86,956	0	60,841	0	0	0
	Rarotonga	Hospital Incinerator	CIG	78,866	0	0	0	0	0
	Rarotonga	ICT Server Replacement	CIG	0	0	220,000	0	0	0
Infrastructure Cook Islands				7,229,209	18,971,500	17,371,500	20,100,000	11,800,000	12,800,000
	Atiu	Atiu Airport Runway Stabilisation	CIG	0	0	0	0	0	0
	Atiu	Atiu Road Improvement Programme	CIG	486,261	570,000	570,000	0	0	0
	National	Bitumen truck	CIG	14,229	0	0	0	0	0
	Rarotonga	Bridges & Structures Improvement Project	CIG	1,032,740	2,580,000	2,580,000	3,300,000	2,800,000	3,800,000
	National	Pa Enea Marine Infrastructure Improvement	CIG	0	150,000	150,000	3,500,000	0	0
	National	Pa Enea Water Infrastructure	CIG	0	0	0	1,050,000	500,000	500,000
	Various	Pa Enea Cyclone Center	CIG	546,254	4,200,000	1,800,000	3,600,000	0	0
	Rarotonga	Avatiu Valley Stream embankment	CIG	660,218	21,500	21,500	0	0	0
	Rarotonga	Road Asset Management	CIG	2,000,160	8,000,000	7,700,000	7,000,000	7,000,000	7,000,000
	Rarotonga	Drainage Improvement	CIG	0	1,800,000	2,600,000	1,500,000	1,500,000	1,500,000
	National	Manea Games Upgrade	CIG	0	100,000	100,000	0	0	0
	Mitiaro	Mitiaro Water Upgrade	CIG	304,750	250,000	250,000	0	0	0
	Rarotonga	Rutaki Foreshore Rock Revetment	CIG	0	250,000	900,000	0	0	0
	Aitutaki	Establishing new water galleries	CIG	0	200,000	200,000	0	0	0
	Pukapuka	Nassau Ferry	CIG	0	350,000	350,000	0	0	0
	Mangaia	Mangaia Road Improvement Programme	CIG	118,687	0	0	0	0	0
	Various	HV Transport Trailer	CIG	14,229	0	0	0	0	0
	Penrhyn	Government Building Project	CIG	0	500,000	50,000	150,000	0	0
	Mangaia	Central water project	CIG	0	0	0	0	0	0
	Manihiki	Manihiki Island Airport Terminal - construction	CIG	15,921	0	0	0	0	0
	Penrhyn	Omoka Harbour Upgrade	CIG	187,457	0	0	0	0	0
	Pukapuka	Pukapuka Airport terminal buildings upgrade	CIG	60,899	0	0	0	0	0
	Rarotonga	Tereora Drainage Improvement	CIG	117,000	0	0	0	0	0
	Rarotonga	Sheraton Foreshore Protection	CIG	239,100	0	0	0	0	0
	Aitutaki	Aitutaki road Improvement Programme	CIG	218,879	0	0	0	0	0

MINISTRY	Island	PROJECT/PROGRAMME	FUNDING SOURCE	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
	Mangaia	Tamarua Water Project	CIG	212,470	0	0	0	0	0
	Manihiki	Tukao Passage Widening, Improving safe access to and from the Manihiki Lagoon	CIG	112,238	0	0	0	0	0
	Rarotonga	Muri Road Widening	CIG	288,332	0	0	0	0	0
	Rarotonga	Culvert	CIG	599,385	0	0	0	0	0
	Rarotonga	Contingent Liability Capital Projects Account	CIG	0	0	100,000	0	0	0
Internal Affairs				50,000	50,000	50,000	50,000	50,000	50,000
	Rarotonga	Vaka Maintenance Capital Projects	CIG	50,000	50,000	50,000	50,000	50,000	50,000
Ministry of Finance and Economic Management				22,932,572	13,068,836	18,434,728	5,000,000	1,000,000	1,000,000
	Rarotonga	FMIS purchase and implementation	CIG	391,103	468,836	468,836	0	0	0
	Rarotonga	MFEM Extension - Furniture and materials	CIG	0	100,000	260,000	0	0	0
	Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	CIG	22,451,306	9,000,000	15,998,693	4,000,000	0	0
	Rarotonga	AEOI IT System	CIG	37,709	0	84,653	0	0	0
	Rarotonga	Mei Te Vai ki Te Vai	CIG	52,454	1,000,000	737,546	1,000,000	1,000,000	1,000,000
	Rarotonga	Shipping Vessel	CIG	0	2,500,000	300,000	0	0	0
	Rarotonga	The Centre of Excellence in Information Technology (CEIT) - Capital Purchases	CIG	0	0	85,000	0	0	0
	Rarotonga	COVID-19 Medical Response Fund - Capital Needs	CIG	0	0	500,000	0	0	0
Justice				200,000	0	0	0	0	0
	Rarotonga	Online Business Registry	CIG	200,000	0	0	0	0	0
Parliament				0	300,000	662,924	0	0	0
	Rarotonga	Parliament Building Extension	CIG	0	300,000	662,924	0	0	0

MINISTRY	Island	PROJECT/PROGRAMME	FUNDING SOURCE	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Office Of Prime Minister				2,887,594	900,000	3,711,160	300,000	100,000	100,000
	Atiu	Atiu Power Distribution	CIG	576,006	0	130,000	0	0	0
	Pa Enea	Renewable Energy - Capital works	CIG	1,094,370	0	1,496,210	0	0	0
	National	Government IT Network	CIG	39,017	650,000	650,000	300,000	100,000	100,000
	Aitutaki	Aitutaki Renewable Energy Project	CIG	873,754	0	1,184,950	0	0	0
	National	Renewable Management Project Management and Support	CIG	217,140	250,000	250,000	0	0	0
	Mangaia	Mangaia School Bus	CIG	87,307	0	0	0	0	0
MINISTRY TOTAL				35,098,550	39,800,336	48,475,049	34,630,000	25,160,000	24,610,000
Capital Funds Administered BY MFEM				1,003,740	910,000	1,678,875	910,000	910,000	910,000
	National	Capital Distribution Fund	CIG	930,135	800,000	1,568,875	800,000	800,000	800,000
	Pa Enea	Outer Islands Small Capital Fund	CIG	73,605	110,000	110,000	110,000	110,000	110,000
		<i>Aitutaki</i>		<i>0</i>	<i>16,000</i>	<i>16,000</i>	<i>16,000</i>	<i>16,000</i>	<i>16,000</i>
		<i>Atiu</i>		<i>6,272</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
		<i>Mangaia</i>		<i>8,975</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
		<i>Manihiki</i>		<i>8,006</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
		<i>Mauke</i>		<i>8,873</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
		<i>Mitiaro</i>		<i>6,768</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>
		<i>Palmerston</i>		<i>7,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>
		<i>Penrhyn</i>		<i>11,444</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
		<i>Pukapuka-Nassau</i>		<i>8,609</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>	<i>12,000</i>
		<i>Rakahanga</i>		<i>7,658</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>
GRAND TOTAL				36,102,290	40,710,336	50,153,924	35,540,000	26,070,000	25,520,000

6.11 Schedule 7 – Revenues on Behalf of the Crown (ROBOCs)

	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Taxation Revenue						
Value Added Tax (VAT)	70,315,065	72,759,000	64,269,678	65,731,796	68,936,290	72,434,478
Income tax	36,351,845	27,773,000	23,004,262	26,867,479	29,809,559	31,021,135
Company tax	24,596,456	22,170,000	11,800,152	19,396,232	24,736,373	26,193,634
Import levies	14,565,054	14,557,000	17,979,506	12,916,115	13,383,611	13,898,582
Withholding tax	1,503,687	2,247,000	4,000,000	1,521,527	1,565,999	1,615,396
Departure tax	11,728,180	12,120,000	9,500,000	9,831,693	12,838,192	13,924,660
Total	159,060,288	151,626,000	130,553,598	136,264,842	151,270,024	159,087,884
Other Crown Revenue						
FSC Return of Excess	278,582	198,000	248,000	198,000	198,000	198,000
Immigration Fees	1,064,458	950,000	870,000	950,000	950,000	950,000
IMO Subscription - Maritime Cook Islands	67,493	66,000	66,000	66,000	66,000	66,000
Court Services	35,207	50,000	50,000	50,000	50,000	50,000
Instant Fines	38,924	70,000	70,000	40,000	40,000	40,000
Fishing Licences	15,164,003	9,531,000	15,000,000	10,000,000	10,000,000	10,000,000
Fisheries - US Treaties (purse-seining)	5,357,872	5,059,146	4,676,026	5,004,825	5,004,825	5,004,825
Fishing Fines	2,262,864	100,000	450,000	0	0	0
Research Fee	1,114	1,500	1,500	1,500	1,500	1,500
Permits	12,084	24,000	24,000	24,000	24,000	24,000
Dividends	4,556,000	2,369,600	2,070,000	2,147,000	2,171,000	2,241,000
Banana Court - dividend	10,000	0	0	0	0	0
Bank of the Cook Islands - dividend	284,000	409,600	370,000	247,000	271,000	341,000
Ports Authority - dividend	0	0	0	0	0	0
Punanga Nui Market - dividend	0	0	0	0	0	0
Te Aponga Uira - dividend	682,000	400,000	200,000	400,000	400,000	400,000
Extraordinary SOE Dividend	60,000	60,000	0	0	0	0
Telecom Cook Islands (Bluesky) - dividend	3,520,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Numismatics	537,133	450,000	450,000	450,000	450,000	450,000
Border Management Fees	0	0	0	0	0	0
Drivers Licences	288,978	260,000	260,000	260,000	300,000	260,000
Motor Vehicle Registration	870,827	875,000	875,000	875,000	875,000	875,000
Interest on balances	2,482,644	1,740,000	1,740,000	1,740,000	1,740,000	1,740,000
Interest on loans to subsidiaries	760,349	830,000	830,000	830,000	830,000	830,000

	2018/19	2019/20	2019/20	2020/21	2021/22	2022/23
	Actual	Budget	Amended Estimate	Projection	Projection	Projection
Foreign Investment Fees	28,980	27,000	27,000	27,000	27,000	27,000
Upper Air Management Agreement	576,531	746,000	846,000	746,000	746,000	746,000
Shipping Registration	264,707	268,259	268,259	268,259	268,259	268,259
International Shipping Licence	24,236	10,000	10,000	10,000	10,000	10,000
Liquor Licencing	65,839	70,000	70,000	70,000	70,000	70,000
Tattslotto Grants	193,377	120,000	122,000	120,000	120,000	120,000
Censorship Fees	2,458	3,000	3,000	3,000	3,000	3,000
Circulating Currency - Coins	534,671	650,000	650,000	650,000	650,000	650,000
Employer Liabilities	75,000	75,000	75,000	75,000	75,000	75,000
Motor Vehicle Dealers	3,358	3,000	3,000	3,000	3,000	3,000
Gains on FOREX	2,300,000	0	0	0	0	0
Core Sector Support	7,730,487	7,730,487	14,730,487	7,730,487	7,730,487	7,730,487
Total Other	45,578,175	32,276,992	44,485,272	32,339,071	32,403,071	32,433,071
Total Crown Receipts - excluding Bonus Payment	204,638,463	183,902,992	175,038,870	168,603,913	183,673,095	191,520,955
Performance Based Budget Support - Bonus Payment	0	0	0	0	0	0
Total Crown Receipts - including Bonus Payment	204,638,463	183,902,992	168,038,870	168,603,913	183,673,095	191,520,955

6.12 Schedule 8a – Administered Payments

Administering Ministry	Administered Payment	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Compensation of Employees							
Cook Islands Investment Corporation	Infrastructure Committee	47,000	150,000	180,000	150,000	150,000	150,000
Cook Islands Investment Corporation	Joint Venture with Seabed Minerals Authority	320,000	130,000	292,000	130,000	130,000	130,000
Cook Islands Investment Corporation	Special Projects Units	685,000	420,000	721,546	420,000	420,000	420,000
Environment	National Heritage Trust	65,169	82,241	82,241	122,241	122,241	122,241
Finance and Economic Management	Salary Adjustment Administered Fund	0	0	0	0	0	0
Finance and Economic Management	Director of Civil Aviation	0	0	0	0	0	0
Finance and Economic Management	Price Tribunal Committee	46,055	45,000	45,000	45,000	45,000	45,000
Internal Affairs	Price Tribunal	0	0	0	0	0	0
Justice	Project to bring land records up to date	120,000	120,000	120,000	120,000	120,000	120,000
Justice	Judges Allowances	176,943	300,000	300,000	300,000	300,000	300,000
Public Service Commission	HOM's Salaries	1,472,492	1,741,645	1,741,645	1,741,645	1,741,645	1,741,645
Prime Minister's Office	ICT Support Team	0	250,000	250,000	250,000	0	0
Cook Islands Investment Corporation	School Security	281,000	280,000	280,000	280,000	280,000	280,000
Education	Centre of Research and Policy Studies	0	0	0	0	0	0
Finance and Economic Management	The Centre of Research and Policy Studies	0	80,000	80,000	80,000	80,000	80,000
Transport	Civil Aviation	0	0	0	0	0	0
Prime Minister's Office	Public Sector Strengthening	0	0	0	0	0	0
	Compensation of Employees Administered Payments	3,213,659	3,598,886	4,092,432	3,638,886	3,388,886	3,388,886
Use of Goods and Services							
Marine Resources	WCPFC Conference	0	0	0	0	0	0
Prime Minister's Office	Red Cross	0	50,000	50,000	50,000	50,000	50,000
Cultural Development	Te Maeva Nui Constitution Celebrations	3,669,873	722,500	722,500	722,500	2,722,500	722,500
Cook Islands Investment Corporation	Provision for Land Rentals	667,863	1,500,000	595,323	500,000	500,000	500,000
Cook Islands Investment Corporation	Land Rent Reviews	0	0	250,000	0	0	0
Cook Islands Investment Corporation	Avaroa Cable	11,450	150,000	238,550	150,000	0	0
Cook Islands Investment Corporation	Renewable Energy Maintenance	0	250,000	250,000	0	0	0
Education	Tertiary Training Institutions	732,670	1,209,855	1,209,855	1,159,855	1,159,855	1,159,855
Education	Centre of Excellence in Information Technology (CEIT)	0	0	0	0	0	0
Education	Bus Service	0	26,325	26,325	26,325	26,325	26,325
Finance and Economic Management	HRMIS Tax Amnesty Change	0	0	0	0	0	0
Finance and Economic Management	The Centre of Excellence in Information Technology (CEIT)	27,027	250,000	165,000	60,000	0	0
Finance and Economic Management	Audit of Crown Accounts	30,000	30,000	30,000	30,000	30,000	30,000
Finance and Economic Management	Border Management System Maintenance	155,250	155,250	155,250	155,250	155,250	155,250
Finance and Economic Management	Standard and Poor's Subscription	58,520	65,000	65,000	65,000	65,000	65,000

Administering Ministry	Administered Payment	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Finance and Economic Management	Special Investigative and Prosecution Services	67,305	70,000	202,695	70,000	70,000	70,000
Finance and Economic Management	Debt Advisory Services	60,000	60,000	60,000	60,000	60,000	60,000
Finance and Economic Management	Post Tax Amnesty Work	18,061	483,621	483,621	0	0	0
Finance and Economic Management	Public Sector Strengthening-processes and systems	187,821	200,000	357,179	200,000	200,000	200,000
Finance and Economic Management	National Superannuation Fund	0	0	0	0	0	0
Crown Law	Arbitration Case	1,156,705	300,000	350,000	0	0	0
Foreign Affairs	Cook Islands Student Association Support	0	10,000	10,000	10,000	10,000	10,000
Head Of State	Domestic Hosting Entertainment	11,850	15,000	15,000	15,000	15,000	15,000
Head Of State	QR Social Responsibility Fund	7,516	8,000	8,000	8,000	8,000	8,000
Head Of State	Head of State Rent	0	13,000	13,000	13,000	13,000	13,000
Health	Pharmaceuticals	1,117,829	867,800	867,800	867,800	867,800	867,800
Health	Operation Namu	88,016	0	0	0	0	0
Health	Hosting of the 2017 Pacific Health Ministers' Meeting	0	0	0	0	0	0
Infrastructure Cook Islands	Outer Islands Equipment Repairs of Unanticipated Breakdowns	196,602	200,000	200,000	200,000	200,000	200,000
Infrastructure Cook Islands	Waste Management	494,000	500,000	585,000	500,000	500,000	500,000
Infrastructure Cook Islands	Water Maintenance	442,704	0	0	0	0	0
Infrastructure Cook Islands	Road and Civil Maintenance	647,204	1,100,000	1,100,000	1,280,000	1,000,000	1,000,000
Infrastructure Cook Islands	Road Asset Management	646,009	0	0	0	0	0
Infrastructure Cook Islands	Bridges and Drainage Maintenance	600,000	1,200,000	1,115,000	1,200,000	1,200,000	1,200,000
Infrastructure Cook Islands	Emergency Work	0	200,000	200,000	200,000	200,000	200,000
Internal Affairs	Lease extension	48,600	72,000	95,400	72,000	72,000	72,000
Internal Affairs	Vaka Maintenance	397,554	400,000	400,000	400,000	400,000	400,000
Internal Affairs	Children Forum	0	0	0	20,000	0	0
Internal Affairs	Internal Affairs Youth Program	0	45,000	45,000	45,000	45,000	45,000
Parliamentary Services	Pacific Legislatures for Population and Governance (PLPG)	41,532	0	0	0	0	0
Parliamentary Services	Special Select Committee	18,812	110,000	92,414	110,000	60,000	60,000
Cultural Development	Te Kopapa Reo Maori Board	14,590	15,000	15,000	15,000	15,000	15,000
Cultural Development	Cook Islands Cultural Fund	0	200,000	200,000	200,000	200,000	200,000
Cultural Development	Audio and Visual Digitization	0	40,000	40,000	0	0	0
Prime Minister's Office	Social Responsibility Fund	243,000	243,000	483,000	243,000	243,000	243,000
Prime Minister's Office	Pa Enea Mechanical Overseer	0	130,000	130,000	100,000	100,000	100,000
Prime Minister's Office	Energy Commissioner	0	100,000	50,000	100,000	100,000	100,000
Prime Minister's Office	Undersea Fiber-Optic Cable	0	0	0	0	0	0
Police	Search and Rescue	0	20,000	20,000	20,000	20,000	20,000
Police	Serious Crime Investigations	68,291	100,000	100,000	100,000	100,000	100,000

Administering Ministry	Administered Payment	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Police	Te Kukupa - Biannual Slipping	29,338	0	60,662	150,000	0	0
Police	Te Kukupa - Fuel Contribution	140,000	140,000	140,000	140,000	140,000	140,000
Police	Police Youth Program	44,801	45,000	45,000	45,000	45,000	45,000
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,072,000	4,922,000	4,922,000	4,922,000	4,922,000	4,922,000
Foreign Affairs	Returned Services Association	4,706	5,000	5,000	5,000	5,000	5,000
Prime Minister's Office	Community Support Fund	91,118	100,000	100,000	100,000	100,000	100,000
Environment	E - Waste & Whitewear Collection	84,681	0	165,148	0	0	0
Environment	Management of Suwarrow Park	0	100,000	100,000	100,000	100,000	100,000
Environment	EIA Process	0	150,000	150,000	200,000	200,000	200,000
Parliamentary Services	Remuneration Tribunal Committee	17,823	0	0	0	0	0
Crown Law	Pacific Islands Law Officers Network (PILON)	29,642	0	0	0	0	0
Finance and Economic Management	COVID-19 Medical Response Fund	0	0	4,500,000	0	0	0
CI Seabed Minerals	Seabed Minerals Sector Development	0	0	138,167	0	0	0
Finance and Economic Management	COVID-19 Economic Response Plan	0	0	28,000,000	3,360,000	0	0
	Use of Goods and Services Administered Payments	17,440,761	16,573,351	49,321,889	17,989,730	15,919,730	13,919,730
Subsidies							
Education	University of the South Pacific Contribution	183,410	205,000	205,000	205,000	205,000	205,000
Finance and Economic Management	Air New Zealand - Subsidies	12,925,262	12,000,000	9,500,000	12,000,000	12,000,000	12,000,000
Finance and Economic Management	Provision for Inter Island Shipping	174,066	500,000	1,450,000	500,000	500,000	500,000
Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Enea	39,728	45,000	45,000	45,000	45,000	45,000
Finance and Economic Management	Asian Infrastructure Investment Bank (AIIB) Membership	0	30,500	30,500	30,500	30,500	30,500
	Subsidies Administered Payments	13,322,467	12,780,500	11,230,500	12,780,500	12,780,500	12,780,500
Social Assistance							
Education	Government Funded Scholarships	672,787	660,400	660,400	780,000	780,000	780,000
Health	Patient Referrals	730,002	850,000	850,000	850,000	850,000	850,000
Health	Nursing School	279,337	234,070	234,070	234,070	234,070	234,070
Health	NCD Fund	194,999	195,000	195,000	195,000	195,000	195,000
Health	Oxygen Plant	0	0	0	0	0	0
Internal Affairs	Welfare Payments - Allowances	742,134	1,291,309	1,291,309	1,292,973	1,294,029	1,295,038
Justice	Legal Aid	10,560	40,000	40,000	40,000	40,000	40,000
	Social Assistance Administered Payments	2,629,819	3,270,779	3,270,779	3,392,043	3,393,099	3,394,108
Other Expense							
Cook Islands Investment Corporation	To Tatou Vai	380,622	2,500,000	2,500,000	2,330,000	1,755,000	1,400,000
Education	Private School Funding	2,229,709	2,510,709	2,510,709	2,510,709	2,510,709	2,510,709
Marine Resources	Fisheries Development Facility	178,298	200,000	200,000	200,000	200,000	200,000
Marine Resources	Fisheries Development Facility in the Pa Enea	149,335	100,000	100,000	100,000	100,000	100,000

Administering Ministry	Administered Payment	2018/19 Actual	2019/20 Budget	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Internal Affairs	CISNOC Grant	720,000	370,000	476,381	420,000	420,000	420,000
Internal Affairs	SIF - Cook Islands Government Contribution	772,913	800,000	909,720	860,000	860,000	860,000
Finance and Economic Management	National Census	0	0	0	0	300,000	0
Finance and Economic Management	Conduct of a Labour Force Survey	0	0	99,448	0	0	0
Finance and Economic Management	Production of new currency, transportation and sale of old coins	35,259	800,000	1,114,740	15,000	15,000	350,000
Finance and Economic Management	Marumaruatua	255,212	0	0	0	0	0
Finance and Economic Management	Establishment of Ministerial Office	0	0	0	0	0	0
Finance and Economic Management	Economic Utilities Regulator	0	100,000	100,000	100,000	100,000	100,000
	Other Expenses Administered Payments	4,721,348	7,380,709	8,010,998	6,535,709	6,260,709	5,940,709
Grand Total		41,328,054	43,604,225	75,926,598	44,336,868	41,742,924	39,423,933

6.13 Schedule 8b – Payments on Behalf of Crown (POBOCs)

Administering Ministry	POBOC	2018/19 Actual	2019/20 Budget Estimate	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Compensation of Employees							
Finance and Economic Management	Parliamentary Superannuation	113,844	180,000	180,000	180,000	180,000	180,000
Audit (PERCA)	PERC Salaries and Administration Costs	36,919	57,500	57,500	57,500	57,500	57,500
Parliamentary Services	Civil List - Personnel	2,358,896	2,901,961	2,901,961	2,901,961	2,901,961	2,901,961
Parliamentary Services	House of Ariki	228,733	348,420	348,420	348,420	348,420	348,420
	Compensation of Employees POBOCs	2,738,391	3,487,881	3,487,881	3,487,881	3,487,881	3,487,881
Use of Goods and Services							
Audit (PERCA)	Audit Fees	95,600	95,600	95,600	95,600	95,600	95,600
Justice	General Elections, Petitions and By-Elections	0	0	0	0	0	0
Parliamentary Services	Civil List - Constituency Visits	53,742	170,200	200,200	170,200	170,200	170,200
Parliamentary Services	Parliamentary Sitting Expenses	297,226	150,000	332,904	150,000	150,000	150,000
Parliamentary Services	MP Travel and Allowances (local and overseas)	414,766	341,000	541,000	341,000	341,000	341,000
Parliamentary Services	QR Travel and Allowances (local and overseas)	117,499	109,000	109,000	109,000	109,000	109,000
Prime Minister's Office	Local Government Election	0	30,000	30,000	0	0	0
Foreign Affairs	International Maritime Organisation - Maritime Cook Islands	0	63,461	63,461	63,461	63,461	63,461
	Use of Goods and Services POBOCs	978,833	959,261	1,372,165	929,261	929,261	929,261
Subsidies							
Finance and Economic Management	Apex - Profit Guarantee	0	0	0	0	0	0
Cook Islands Investment Corporation	Bank of the Cook Islands - social assistance subsidy	120,000	128,000	128,000	128,000	128,000	128,000
Cook Islands Investment Corporation	Airport Authority subsidy	2,047,997	2,047,997	2,047,997	2,047,997	2,047,997	2,047,997
Cook Islands Investment Corporation	Ports Authority - subsidy	110,000	110,099	110,099	110,099	110,099	110,099
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380,000	380,000	380,000	380,000	380,000	380,000
	Subsidies POBOCs	2,657,997	2,666,096	2,666,096	2,666,096	2,666,096	2,666,096
Social Assistance							
Internal Affairs	Welfare Payments	19,035,449	19,689,535	19,689,535	19,774,919	19,859,919	19,944,757
	Social Assistance POBOCs	19,035,449	19,689,535	19,689,535	19,774,919	19,859,919	19,944,757
Other Expense							
Finance and Economic Management	Pacific Catastrophe Risk Insurance	153,139	120,694	120,694	120,694	120,694	120,694
Finance and Economic Management	CICC Mission Training Center Construction Grant	0	0	0	0	0	0
Finance and Economic Management	BEPS Subscription	0	35,000	35,000	35,000	35,000	35,000
Foreign Affairs	International Subscriptions	627,194	687,967	687,967	689,697	687,967	687,967
Finance and Economic Management	CIG Insurance	70,578	100,000	100,000	180,000	40,000	40,000
	Other Expenses POBOCs	850,911	943,661	943,661	1,025,391	883,661	883,661
Grand Total		26,261,581	27,746,434	28,159,338	27,883,548	27,826,818	27,911,656

6.14 Schedule 9a – Debt Servicing Schedule (\$'000)

Creditor	2018/19 Actual	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Asian Development Bank (ADB)					
Principal	4,645	4,688	5,695	6,586	6,447
Interest	1,786	1,829	2,032	1,866	1,685
Total Debt Servicing to ADB	6,431	6,517	7,727	8,452	8,131
People's Republic of China (China)					
Principal	2,712	2,698	2,735	2,695	2,645
Interest	722	664	618	555	492
Total Debt Servicing to China	3,434	3,362	3,354	3,250	3,138
France					
Principal	317	0	0	0	0
Interest	1	0	0	0	0
Total Debt Servicing to France	318	0	0	0	0
Gross Debt Servicing	10,183	9,879	11,081	11,702	11,269

6.15 Schedule 9b – Loan Reserve Fund (LRF) Schedule (\$'000)

Transaction	2018/19 Actual	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
Opening Balance in LRF	21,277	20,922	20,456	19,965	19,478
<i>Transfer into LRF by Government</i>	<i>9,362</i>	<i>8,996</i>	<i>10,181</i>	<i>10,815</i>	<i>9,606</i>
Contribution to LRF - Principal	6,995	6,588	7,610	8,465	7,922
Contribution to LRF - Interest	2,367	2,408	2,571	2,350	1,684
Interest earned by LRF	426	418	409	399	390
Total inflows	9,787	9,414	10,590	11,214	9,995
Total Principal Paid out of LRF	7,558	7,386	8,430	9,281	9,092
Total Interest Paid out of LRF	2,524	2,493	2,650	2,421	2,177
Total outflows	10,082	9,879	11,080	11,702	11,269
Valuation Adjustment	60				
Closing balance of LRF	20,922	20,456	19,965	19,478	18,205

6.16 Schedule 10 – Official Development Assistance Schedule

Agency	Programs/Projects by Agency	Development Partner	2018/19 Actual	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
Projects funded directly in New Zealand dollars							
MFEM	Cook Islands Core Sector Support	New Zealand	7,700,000	14,730,487	7,730,487	7,730,487	7,730,487
MFEM	Cook Islands Core Sector Support - TA Component	New Zealand	0	1,269,513	1,269,513	1,269,513	1,269,513
CIIC	Chinese Building Repairs	China	0	10,837,524	0	0	0
INTAFF	Gender Empowerment	Australia	61,651	0	0	0	0
MFEM	India Grant Fund	India	121,216	680,000	0	0	0
MFEM	Pacific Parliamentary Development Project	UNDP	0	75,758	0	0	0
MOT	Disaster Resilience for Small Pacific Islands (RESPAC Cook Islands)	UNDP	141,640	0	0	0	0
MMR	US Treaty Project Development Fund (PDF) Support	Forum Fisheries Agency	114,000	0	0	0	0
MFAI	Pacific Agreement on Closer Economic Relations (PACER) Plus	Australia	0	0	0	0	0
MFEM	Grassroots Grant Fund	Japan	0	376,160	300,000	0	0
MFEM	Non Project Grant Aid - Palmerston Cyclone Centre	Japan	935,116	103,926	0	0	0
MFEM	Economic Social Development Programme 2018	Japan	126,832	766,656	1,603,972	0	0
MFEM	JICA Training and Development	Japan	124,993	125,000	0	0	0
MFEM	General Budget Support	European Union	0	2,288,136	1,419,665	0	0
MFEM	Manatua Polynesian Cable Project	New Zealand	4,124,992	6,071,777	0	0	0
MFEM	Aid Effectiveness	Other	60,712	100,000	100,000	100,000	100,000
MFEM	Te Mato Vai	New Zealand	3,719,418	0	0	0	0
MFEM	Mei Te Vai Ki Te Vai (MTVKTV)	New Zealand	1,477,990	3,858,000	10,000,000	10,000,000	0
MFEM	Mei Te Vai Ki Te Vai (MTVKTV) - Environmental Investigation	New Zealand		142,000	0	0	0
MMR	Sustainable Fisheries Partnership Agreement	New Zealand	553,293	588,730	294,365	0	0
OPM	NZ Volunteer Services Aboard	New Zealand	196,283	200,000	200,000	200,000	200,000
MFEM	New Zealand Triennium Fund	New Zealand	1,383,062	0	0	0	0
MMR	Japan Trust Fund	Japan	0	210,521	0	0	0
MMR	Project Development Fund - US Fisheries Treaty	Forum Fisheries Agency	114,000	236,364	236,364	236,364	236,364
MFAI	Project Development Fund - US Fisheries Treaty	Forum Fisheries Agency	0	30,303	30,303	30,303	30,303
MOH	WHO Biennium Budget Support	WHO	101,496	204,545	0	0	0
MOH	Small Health Grants	Multilateral Fund	14,877	0	0	0	0
MOH	Western Pacific Multi-country Integrated HIV/TB programme - UNDP	UNDP	67,090	80,000	90,000	90,000	0
INTAFF	National Children's Policy Project	UNICEF	26,047	0	0	0	0
NES	Ridge to Reef	Global Environment Facility	2,062,288	1,284,003	1,712,028	318,389	0

Agency	Programs/Projects by Agency	Development Partner	2018/19 Actual	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
NES	Strengthening the Implementation of the Nagoya Protocol on Access to Genetic Resources and Benefit Sharing in the Cook Islands	Global Environment Facility	0	120,430	49,960	0	0
OPM	E-Government TA Support	Asian Development Bank	40,011	111,504	0	0	0
OPM	Renewable Energy Grant (Southern Group)	European Union	271,943	0	0	0	0
OPM	Renewable Energy Grant (Southern Group)	Global Environment Facility	1,059,663	891,365	0	0	0
OPM	Renewable Energy Grant (Southern Group)	Green Climate Fund	1,507,370	8,316,288	8,316,288	0	0
OPM	Preparation of the Third National Communication under UN Framework Convention on Climate Change (UNFCCC)	Global Environment Facility	81,110	200,000	0	0	0
MFEM	Green Climate Fund Readiness	Green Climate Fund	483,480	769,087	718,023	354,428	0
MFEM	MOH Building Resilient and healthy Cook Islands Communities - SAP	Green Climate Fund	0	2,000,000	2,000,000	2,000,000	2,000,000
OPM	Pa Enea Action for Resilient Livelihoods (PEARL)	UN Adaptation Fund	243,412	1,826,957	538,021	0	0
OPM	Northern Water Project Phase 2	EU-German Development Cooperation	297,131	21,338	0	0	0
RED CROSS	GEF Small Grants Programme	Global Environment Facility	103,467	485,161	0	0	0
ICI	Japan Grassroots Human Security - Resource Recovery Centre Upgrades	Japan	0	178,391	0	0	0
MFEM	JICA Purpose-built shipping vessel for inter-island services TA Support	Japan	0	250,000	0	0	0
MFEM	Assets Management	New Zealand	0	12,750,000	0	0	0
ICI	ICI COOKGEO GeoPortal	SPC	0	40,000	0	0	0
MFEM	Infrastructure Trust Fund	New Zealand	0	0	0	0	0
Total NZD Funding			19,614,583	57,489,437	28,878,502	14,598,997	3,836,180

7 Financial Statements

The forecasted financial estimates of the Crown are set out in the following order for the year ending 30 June 2020.

7.1 Statement of Financial Performance

	2018/19 Actual	2019/20 Budget Estimate	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
	('000)	('000)	('000)	('000)	('000)	('000)
Revenue						
Taxation revenues	159,060	151,626	130,554	136,265	151,270	159,088
<u>Other revenue</u>						
Revenue on behalf of the Crown	37,783	27,337	39,845	27,622	27,662	27,622
Sale of goods and services	7,742	4,927	4,927	4,929	4,949	4,949
Interest	3,243	2,570	2,570	2,570	2,570	2,570
Dividends	4,556	2,370	2,070	2,147	2,171	2,241
Total Revenue	212,384	188,830	179,966	173,533	188,622	196,470
Expenditure						
Appropriations to agencies	123,996	133,443	166,579	137,017	141,476	139,522
Payments on behalf of Crown	26,262	27,746	28,159	27,884	27,827	27,912
Debt-servicing interest	2,082	2,133	2,228	2,102	1,895	1,695
Infrastructure depreciation	2,084	4,603	4,603	4,603	4,603	4,603
Depreciation contingency fund	0	2,174	2,174	2,174	2,174	2,174
Other expenditure	3,083	150	900	150	150	150
Total Expenditure	157,507	170,249	204,642	173,928	178,123	176,054
NET OPERATING SURPLUS / (DEFICIT)	54,877	18,581	-24,676	-395	10,499	20,416

7.2 Statement of Financial Position

	2018/19 Actual ('000)	2019/20 Budget Estimate ('000)	2019/20 Amended Estimate ('000)	2020/21 Projection ('000)	2021/22 Projection ('000)	2022/23 Projection ('000)
Assets						
<i>Working Capital Funds</i>	106,741	31,311	43,997	8,262	-4,383	-5,352
<i>Stabilisation Fund</i>	0	56,700	0	0	0	0
Cash and Equivalents	106,741	88,011	43,997	8,262	-4,383	-5,352
Loan Repayment Fund	20,922	21,427	20,456	19,965	19,478	18,205
Trust accounts	51,068	51,118	63,118	63,118	63,118	63,118
Inventory	1,296	1,134	1,134	988	857	739
Tax receivables	17,391	11,148	11,148	7,150	6,963	6,808
Debtors and other receivables	8,379	7,913	7,913	7,471	7,028	6,607
Advances to SOEs	26,896	43,387	43,380	47,300	46,484	45,767
Plant, property, and equipment	236,159	310,221	311,677	356,234	380,562	394,341
Total Assets	468,852	534,359	502,823	510,488	520,107	530,233
Liabilities						
Creditors and other payables	15,730	13,764	13,764	12,436	10,843	9,409
Trust liabilities	48,970	47,087	62,224	62,225	62,224	62,225
Borrowings	112,602	129,470	133,429	125,686	114,838	103,828
Total Liabilities	177,302	190,321	209,417	200,347	187,905	175,462
Net Crown Balance	291,550	344,038	293,406	310,141	332,202	354,771

7.3 Statement of Cashflows

	2018/19 Actual ('000)	2019/20 Amended Estimate ('000)	2020/21 Projection ('000)	2021/22 Projection ('000)	2022/23 Projection ('000)
Cashflows from Operating Activities					
<u>Cash provided from:</u>					
Taxation and levies	152,817	124,311	132,267	151,083	158,933
Collection of tax arrears	6,244	6,243	3,998	187	155
Sale of goods and services	7,742	4,927	4,929	4,949	4,949
Interest	3,243	2,570	2,570	2,570	2,570
Dividends	4,556	2,070	2,147	2,171	2,241
Other income	38,505	39,845	27,622	27,662	27,622
Foreign Aid Income	19,615	57,489	28,879	14,599	3,836
	<u>232,721</u>	<u>237,456</u>	<u>202,412</u>	<u>203,221</u>	<u>200,306</u>
<u>Cash applied to:</u>					
Appropriations to agencies (less depn.)	117,709	159,582	133,411	134,510	132,556
Payments on behalf of Crown	26,262	28,159	27,884	27,827	27,912
Debt-servicing interest	2,082	2,228	2,102	1,895	1,695
Building maintenance			0	0	
Other expenditure	3,083	900	150	150	150
Foreign Aid Expense	5,851	18,353	6,120	2,599	1,836
	<u>154,987</u>	<u>209,223</u>	<u>169,667</u>	<u>166,981</u>	<u>164,149</u>
Net Operating Activity Cashflows	77,734	28,233	32,745	36,241	36,157
Cashflows from Investing Activities					
<u>Cash provided from:</u>					
Subsidiary loan repayments	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash applied to:</u>					
Capital expenditure	36,102	50,154	35,540	26,070	25,520
Capital expenditure Foreign Aid	13,764	39,136	22,758	12,000	2,000
Advances to Subsidiaries	0	17,282	4,741	0	0
	<u>49,866</u>	<u>106,573</u>	<u>63,040</u>	<u>38,070</u>	<u>27,520</u>
Net Investing Activity Cashflows	-49,866	-106,573	-63,040	-38,070	-27,520
Cashflows from Financing Activities					
<u>Cash provided from:</u>					
Loans drawn down	1,095	17,282	4,741	0	0
Cash drawn from other reserves	-49	52	1	0	0
	<u>1,046</u>	<u>17,334</u>	<u>4,742</u>	<u>0</u>	<u>0</u>
<u>Cash applied to:</u>					
Loan reserves	7,559	1,689	10,181	10,816	9,606
Other reserves	30,149	50	0	0	0
	<u>37,708</u>	<u>1,739</u>	<u>10,181</u>	<u>10,816</u>	<u>9,606</u>
Net Financing Activity Cashflows	-36,662	15,595	-5,439	-10,816	-9,606
Net cash movements	-8,793	-62,745	-35,733	-12,645	-969
Add: Opening Cash and Equivalents	115,533	106,740	43,996	8,262	-4,383
Closing Cash and Equivalents	106,740	43,996	8,262	-4,383	-5,352

7.4 Statement of Borrowings

	2018/19 Actual ('000)	2019/20 Budget Estimate ('000)	2019/20 Amended Estimate ('000)	2020/21 Projection ('000)	2021/22 Projection ('000)	2022/23 Projection ('000)
Total Gross Borrowings	112,602	129,470	133,429	125,686	114,838	103,828
Assets Held Against Borrowings:						
Advances to subsidiaries	26,896	43,387	43,380	47,300	46,484	45,767
Loan reserves	20,922	21,427	20,456	19,965	19,478	18,205
Total Assets Held Against Borrowings	47,818	64,814	63,836	67,265	65,962	63,972
Net Borrowings of the Government	64,784	64,655	69,593	58,421	48,876	39,856

8 Statement of Accounting Policies

There have been no changes since the Half Year Economic and Fiscal Update 2017/18. There are no major changes to accounting policies anticipated in the foreseeable future.

8.1 Basis of Preparation

8.1.1 Reporting Entity

These financial statements are for the Government of the Cook Islands. These consist of:

- Ministers of the Crown
- Ministries
- Island Administrations
- Offices of Parliament
- Public Enterprises and Other Authorities

A schedule of the entities included in these financial statements is detailed on page 64.

8.1.2 Statement of Compliance

These financial statements in Chapter 10 have been prepared in accordance with the Ministry of Finance and Economic Management Act 1995-96 and with the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB).

8.1.3 Measurement Base

The financial statements have been prepared on the going concern assumption and the accounting policies have been applied consistently throughout the period except where stated elsewhere in this Statement of Accounting Policies.

These financial statements have been prepared using the historical cost method to report results, cash flows and the financial position of the Crown. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest thousand dollars.

8.2 Significant Accounting Policies

The following accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows, have been applied:

Recent Standards

Of significant relevance to the Crown is the recent development of new standards at the IPSASB. These include:

<u>STANDARDS</u>	<u>EFFECTIVE DATE</u>
IPSAS 28 Financial Instruments: Recognition and Measurement	1/01/2013
IPSAS 29 Financial Instruments: Presentation	1/01/2011
IPSAS 30 Financial Instruments: Disclosure	1/01/2013

These new standards have been issued but are not yet effective for the consolidated Crown accounts as the preparation of the 30 June 2013 accounts are currently in progress – the 30 June 2012 consolidated accounts were completed and audited on 29 April 2015. The Crown will have to consider these new standards in future years. Crown has not yet determined the effect of these new standards.

8.2.1 Basis of Consolidation

The Government Ministries, Public Enterprises and Other Authorities (including State Owned Enterprises (SOE's)) comprising the reporting entity are consolidated involving addition of like items of assets, liabilities, revenues and expenses on a line by line basis.

The effect of all material inter-entity transactions and balances are eliminated on consolidation.

Commitments and contingent liabilities of Public Enterprises and Other Authorities are reported in the Statements of Commitments and of Contingent Liabilities.

8.2.2 Associate

An associate is an entity over which the Crown has significant influence where the entity is neither a subsidiary nor an interest in a joint venture. Investment in an associate is recognised at cost and the carrying amount is increased or decreased to recognise the Crown's share of the surplus or deficit after the date of acquisition. When the Crown transacts with an associate, all surplus and deficits related to the Crown are eliminated. Distributions received from an associate reduce the carrying value of the investment in the Crown Financial Statements.

8.2.3 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.

Revenue Type	Revenue Recognition Point
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 departure tax coupons are purchased.
Other Revenue	When the debt to the Crown arises.

8.2.4 Revenue Earned Through Operations

Revenue from sales of goods is recognised when the product is sold to the customer.

Fines

Fines are economic benefits or services potential received by the Crown from an individual or other entity, as determined by a court or other law enforcement body, as consequence of the individual or other entity breaching the requirements of laws and regulations.

Investment Income

Investment income is recognised in the period in which it is earned.

Gains

Realised gains arising from sale of assets or from the early settlement of a liability are recognised in the Statement of Financial Performance in the period in which the transaction is concluded.

Dividends

Dividends are recognised when the right to receive the payment has been established.

Aid Revenue

Revenue is recognised when donor funds are expensed on approved projects.

8.2.5 Expenses

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

Welfare Benefits

Welfare benefits are recognised in the period which the payment of these benefits relates to.

Grants and Subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

Losses

Realised losses arising from sales of assets or the early settlement of a liability are recognised in the Statement of Financial Performance in the period in which the transaction is concluded.

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.

Depreciation

Each part of an item of plant, property, and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation of plant, property, and equipment is provided on a straight line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Office and computer equipment	3 – 4 years
Motor vehicles	5 years
Furniture and fittings	4 – 10 years
Plant and Equipment	5 – 15 years
Buildings and improvements	10 years
Coastal protection	25 years
Power distribution network	20 years
Roading network	30 years
Water network	15 years
Airport runways	15 – 100 years
Harbour and ports structures	10 – 20 years
Waste management facilities	15 years

8.2.6 Non-Current Assets

Plant, Property, and Equipment

Plant, property and equipment are recorded at cost less accumulated depreciation.

The cost of purchased plant, property, and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Crown includes the cost of all materials used in construction, direct labour on the project, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Disposals

When an item of plant, property and equipment is disposed, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Financial Performance.

Additions

The cost of an item of plant, property and equipment is recognised as an asset if, and only if, there will be future economic benefits evident and where these benefits will flow to the Crown and the cost of the item can be measured reliably.

Work in Progress

Work in Progress is recognised as cost less impairment and is not depreciated.

Infrastructure Assets

Infrastructure assets are recorded at cost less accumulated depreciation.

The cost of purchased infrastructure assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Crown includes the cost of all materials used in construction, direct labour on the project, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Infrastructure assets include: roading networks, water networks, power distribution networks, coastal protection systems, harbour and ports structures and waste management and airport assets.

IPSAS 17 allows a choice of accounting model for an entire class of property, plant and equipment. The Crown has changed the accounting policy from the cost to revaluation model for the following classes of assets:

- Power network
- Harbours & ports
- Airports

These assets are now carried at re-valued amounts which are the fair value at revaluation date less subsequent depreciation and impairment losses.

When an infrastructure asset is disposed of, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Financial Performance.

Work in Progress is recognised as cost less impairment and is not depreciated.

Intangible Assets

Intangible assets are software acquisition costs.

Intangible assets are recorded at cost less accumulated amortisation.

The cost of purchased intangible assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Intangible assets might include: databases, software purchased, or software developed.

When an intangible asset is disposed of, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Financial Performance.

Amortisation of intangible assets is on a straight line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Software, databases: 3 - 5 years

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Receivables and Advances including Debtors and Other Receivables

Receivables and advances are recorded at cost.

After initial recognition, loans and receivables are measured at amortised cost less any provision for impairment. Gains and losses when assets are impaired or derecognised are recognised in the statement of financial performance.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at cost. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

Investments

Investments in associate are accounted in the consolidated financial statements using the equity method. That is, investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Crown's share of the surplus or deficit of the associate after the day of acquisition.

Banking portfolio investments

Loans are valued at net realisable value after provisions. Applicable security is obtained depending on the size and nature of loans. Non-performing loans are reviewed monthly on a case by case basis.

Provision for doubtful debts

Provision is made for taxation debt where recovery is considered doubtful. There is no general provision against taxation debt.

Provision is made for banking portfolio Investments (specific loans) where recovery is considered doubtful or they have become non-performing. There is no general provision against banking portfolio Investments.

All bad debts are written off against specific provisions in the period in which they become classified as irrecoverable.

Aid Assets

Donor funds are deposited into bank accounts until expensed on approved assets.

8.2.7 Liabilities

Borrowings

Borrowing liabilities are accounted for at amortised cost. Any changes are recognised in the Statement of Financial Performance.

Pension Liabilities

Pension liabilities, in respect of the contributory service of current and past Members of Parliament, are recorded at the latest (30th June 1997) actuarial value of the Crown's liability for pension payments. There are no pension liabilities accruing to the Crown as a result of Government employees' membership of the Government Superannuation Fund (New Zealand).

Employee Entitlements

These include salaries and wages accrued up to balance date, annual level earned but not yet taken at balance date. A long service bonus is paid out on the completion of 3 years continuous service within the Government. The bonus is equivalent to a fortnight pay of the employee.

Other Liabilities

All other liabilities are recorded at the estimated obligation to pay. No liability for ongoing welfare payments has been recognised because no legal entitlement is considered to exist beyond the end of the current financial year until a new Appropriation Act is passed.

Aid Liabilities

Funds received from various donors are treated as liabilities until expensed on approved projects at which stage the funding is included within the Statement of Financial Performance as revenue.

8.2.8 Cash Flow

A cash flow statement identifies the sources of cash inflow, the items on which cash was utilised and the cash balance at the reporting date for Crown. Included in the cash flow statements are financing activities which are activities that result in the change of size and composition of the contributed capital and borrowings of the Crown. Investing activities are the acquisition and disposal of long term assets and other investments and operating activities identifies how much the Crown received from its actual operations.

Cash flow information allows users to ascertain how the Crown raised the cash it required to fund its activities and the manner in which that cash was utilised.

8.2.9 Leases

Finance leases transfer, to the Crown as lessee, substantially all the risks and rewards incidental on the ownership of a leased asset. The obligations under such leases are capitalised at the present value of minimum lease payments. The capitalised values are amortised over the period in which the Crown expects to receive benefits from their use.

Operating leases, where the lessors substantially retain the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease.

The cost of leasehold improvements is capitalised and amortised over the lesser of the leasehold improvements useful life or the original lease term.

8.2.10 Commitments

The Statement of Commitments discloses those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included.

8.2.11 Contingent Liabilities

Contingent liabilities are recorded when a possible obligation has arisen from an event in the past and which the existence will only be confirmed through the occurrence or non-occurrence of future events. Such liabilities will be disclosed if they are deemed to materially affect the reading of the presented financial statements.