



# **Cook Islands Government**

## **Quarterly Financial Report**

**31 March 2019**

**Prepared by the Ministry of Finance and Economic  
Management**

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## Introduction

The statements contained in this report have been prepared on an accruals basis as far as practical and outline income and expenses incurred which may not have been necessarily received or paid. All figures are rounded to the nearest thousand.

References to 2018/19 Additional Funding Approval used in this report relates to either an approved carry forward from previous financial year(s) or funding approved through an Executive Council order.

Government operated without an Appropriation Bill for most part of the first quarter under the authority provided by Article 70 of the Constitution. The calling of the 2018 general election in June delayed the passing of the 2018/19 Appropriation Bill, a process that is usually passed before the new financial year, was passed on 21 September 2018. Subsequent to the third quarter, an Appropriation Amendment Update was passed in April 2019. These updates will be reflected in the last quarter of the 2018/19 financial year.

The financial statements have been consolidated to General Government level including Cook Islands Investment Corporation parent administrative operations. State Owned Enterprises (SOE's) group consolidation are reported separately in later sections of this report.

## Key Points

### General Government - Net Operating Balance

The net operating balance of the General Government sector for the period ended 31 March 2019 was a surplus of \$26.87 million, which represent \$12.14 million higher than the Budget estimates.

- Total operating revenue was above Budget estimates by \$1.57 million primarily as a result of higher than expected fishing licenses revenue collected.
- Total operating expenses was lower than Budget estimates by \$10.57 million driven mainly by lower spending in Administered Payments (\$5.98 million), POBOCs (\$0.80 million), Ministry/ Pa Enea expenditure (\$2.64 million) and Other expenses (\$1.14 million).
- Spending on Capital Expenditure were below Budget estimates by \$0.46 million, further details are reported later in the Capital Expenditure section of this report.

**Table 1 - Net Operating Balance General Government**

	2018/19 Budget Estimate · Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate · Qtr 3	2018/19 Actual - Qtr 3	Variance	
	('000)	('000)	('000)	('000)	('000)	('000)	%
Operating Revenue	185,324	0	185,324	137,545	139,118	1,572	1
Operating Expenditure	163,939	1,076	165,015	122,817	112,251	10,566	9
<b>Net Operating Balance</b>	<b>21,385</b>	<b>(1,076)</b>	<b>20,309</b>	<b>14,728</b>	<b>26,866</b>	<b>12,138</b>	<b>82</b>

## General Government - Fiscal Balance

The overall fiscal balance of \$15.98 million (*Table 2*) adjusts the Net Operating Balance for the effects of depreciation and spending on capital expenditure.

**Table 2 - Fiscal Balance of General Government**

	2018/19 Budget Estimate · Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate · Qtr 3	2018/19 Actual - Qtr 3	Variance	
	('000)	('000)	('000)	('000)	('000)	('000)	%
Net Operating Balance	21,385	1,076	20,309	14,728	26,866	12,138	82
Add Crown Depreciation	4,603	0	4,603	3,452	3,452	0	0
Add Ministry Depreciation	3,161	0	3,161	3,283	2,913	(370)	(11)
Add Pa Enuā Depreciation	1,124	0	1,124	782	1,573	791	101
Less Capital Expenditure - CI Govt Funded	44,519	2,615	47,134	19,278	18,822	(456)	(2)
<b>Fiscal Balance</b>	<b>(14,247)</b>	<b>(1,539)</b>	<b>(17,938)</b>	<b>2,967</b>	<b>15,982</b>	<b>13,016</b>	<b>439</b>

## Summary of the Financial Performance of the General Government

The net operating surplus of the General Government sector for the period ended March 2019 was \$26.87 million, representing a \$12.14 million on the Budget estimates for the same period.

This was driven by higher overall revenue collection of \$1.57 million, followed by lower overall spending of \$10.57 million.

**Table 3 - Net Operating Balance period ending 31 March 2019**

	Notes	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Actual - Qtr 3	Variance
		('000)	('000)	('000)	('000)	('000)	('000)
<u>Operating Revenue</u>							
Taxation Revenue	2	148,153	0	148,153	110,408	109,008	(1,400)
Other Revenue	5	22,622	0	22,622	18,203	20,516	2,313
Trading Revenue	3	6,818	0	6,818	3,137	3,796	659
Core Sector Support	4	7,730	0	7,730	5,798	5,798	0
<b>Total Operating Revenue</b>		<b>185,324</b>	<b>0</b>	<b>185,324</b>	<b>137,545</b>	<b>139,118</b>	<b>1,572</b>
<u>Operating Expenditure</u>							
Ministry/ Pa Enuā Expenditure	6	82,304	0	82,304	57,214	54,579	2,635
Administered Payments	7	44,482	798	45,280	36,993	31,012	5,982
Payments on Behalf of the Crown	8	25,127	278	25,405	19,590	18,789	801
Other expenses and Financing Transactions	9	12,026	0	12,026	9,020	7,871	1,148
<b>Total Operating Expenditure</b>		<b>163,939</b>	<b>1,076</b>	<b>165,015</b>	<b>122,817</b>	<b>112,251</b>	<b>10,566</b>
<b>Net Operating Balance</b>		<b>21,385</b>	<b>(1,076)</b>	<b>20,309</b>	<b>14,728</b>	<b>26,866</b>	<b>12,138</b>

## Summary of the Financial Position of the General Government

General Government's Financial Position at 31 March 2019 is consolidated by adding like items of assets, liabilities and equity on a line by line basis. The effect of all material inter-government transactions and balances are eliminated on consolidation.

**Table 4 - Consolidated Financial Position as at 31 March 2019**

	Notes	June 2017/18 ('000)	March 2018/19 ('000)	Change June-18 ('000)
<b>Current Assets</b>				
Cash and Term Deposits	1	142,235	155,974	13,739
Debtors and Other Receivables		9,311	20,706	11,395
Tax Receivables		16,587	10,451	(6,136)
Inventory		1,620	2,888	1,268
Advances to SOEs		28,010	27,269	(741)
<b>Non Current Assets</b>				
Fixed Assets		112,948	112,442	(506)
<b>Total Assets</b>		<b>310,711</b>	<b>329,730</b>	<b>19,019</b>
<b>Current Liabilities</b>				
Creditors and Other Payables		19,662	12,911	(6,751)
Trust Liabilities		23,625	27,915	4,290
<b>Non Current Liabilites</b>				
Foreign Borrowings	10	101,292	95,907	(5,385)
<b>Total Liabilites</b>		<b>144,579</b>	<b>136,732</b>	<b>(7,847)</b>
<b>Net Assets</b>		<b>166,132</b>	<b>192,998</b>	<b>26,866</b>
<b>General Government Balance</b>		<b>166,132</b>	<b>192,998</b>	<b>26,866</b>

The statement of financial position includes unaudited financial information from ministries, other Crown agencies and the outer islands.

## General Government Cash Reserves

General Government cash reserve are unencumbered cash held by the general government that are not tagged to any particular appropriation.

General Government cash reserve as at March 2019 were \$77.18 million, a decrease of \$22.79 million from June 2018. Table 5 below illustrates Crown cash reserves consisting of term deposits and operational accounts.

### Note 1: Cash and Term Deposits

Cash and Term Deposits for Ministries and Outer Islands Administrations (SOE excluded).

**Table 5 - General Government Cash Reserves as at 31 March 2019**

	June 2017/18	March 2018/19	Change Sept-18
	('000)	('000)	('000)
Operational Bank Accounts	15,159	13,450	(1,709)
Term Deposits Accounts	127,076	142,524	15,448
<b>Cash and Term Deposits</b>	<b>142,235</b>	<b>155,974</b>	<b>13,739</b>
Less 2018/2019 Budget Shortfall <sup>1</sup>	0	2,261	2,261
<b>Total Cash and Term Deposits</b>	<b>142,235</b>	<b>153,713</b>	<b>11,478</b>
Committed:			
Reserve Trust Fund <sup>2</sup>	592	3,652	3,060
Disaster Response Fund <sup>3</sup>	50	1,772	1,722
Loan Repayment Fund <sup>4</sup>	21,461	23,699	2,238
Trust Account Deposits <sup>5</sup>	9,246	22,071	12,825
Aid Trust Fund <sup>6</sup>	10,920	25,344	14,424
<b>Total Commitment for this year</b>	<b>42,269</b>	<b>76,538</b>	<b>34,269</b>
<b>Estimated General Cash Reserve</b>	<b>99,966</b>	<b>77,175</b>	<b>(22,791)</b>

<sup>1</sup> Funds set aside to accommodate shortfall in servicing non-operating fiscal balance for the 2018/19 year

<sup>2</sup> Reserve Trust Funds– buffer funds set aside as reserve from 0.05% of all taxation revenue appropriated per financial year

<sup>3</sup> Disaster Response Trust – funds set aside for emergency response in the event of disasters

<sup>4</sup> Loan Repayment Fund – legislated funds quarantined for debt servicing requirements

<sup>5</sup> Trust Account Deposit – funds held on behalf of Land Trust, Law Trust, Workers Compensation Trust, and Insurance Trust

<sup>6</sup> Aid Trust Fund – funds tagged for aid funded projects and programmes.

## Statement of Cash Flow of the General Government

General Government's Cash Flow Statement at 31 March 2019 detail Operating activities that include cash received from all income sources and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments for General Government. Financing activities are capital injections by, or repayment of capital to, the external lenders of the General Government.

**Table 6 - Statement of Cash Flow as at 31 March 2019**

	Notes	June 2017/18 ('000)	March 2018/19 ('000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Taxation Revenue	2	140,587	109,008
Receipt from customers		42,025	30,110
		<u>182,612</u>	<u>139,118</u>
<i>Cash was applied to:</i>			
Payments to Employees	6	46,942	37,887
Payments to Suppliers		98,444	74,364
		<u>145,386</u>	<u>112,251</u>
Net Cash Flows from Operating Activities		<u><b>37,226</b></u>	<u><b>26,866</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Sale of Fixed Assets		0	0
		<u>0</u>	<u>0</u>
<i>Cash was applied to:</i>			
Purchase of Investment		0	0
Purchase of Fixed Assets		5,821	17,039
		<u>5,821</u>	<u>17,039</u>
Net Cash Flows from Operating Activities		<u><b>(5,821)</b></u>	<u><b>(17,039)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Capital funding from Aid Donors		31,987	6,614
		<u>31,987</u>	<u>6,614</u>
<i>Cash was applied to:</i>			
Repayment to Lenders	10	6,712	2,702
		<u>6,712</u>	<u>2,702</u>
Net Cash Flows from Operating Activities		<u><b>25,275</b></u>	<u><b>3,912</b></u>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>56,680</b>	<b>13,739</b>
<b>Opening Cash Balances</b>		<b>85,555</b>	<b>142,235</b>
<b>Closing Cash Balance (Table 5)</b>		<u><u><b>142,235</b></u></u>	<u><u><b>155,974</b></u></u>



## Loan Repayment Fund (LRF)

In February 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act (LRF Act) 2014, formally creating a Loan Repayment Fund (LRF). The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilized for anything outside of debt servicing requirements.

Table 7 outlines the movement of funds in and out of the LRF account. Funds transferred in by the Government as appropriated and payments made for debt servicing and other service fees.

**Table 7 - Loan Repayment Fund (LRF) Statement**

	March 2018/19 ('000)
<b>Opening LRF Balance</b>	<b>21,278</b>
Contribution to LRF Principal	6,995
Contribution to LRF Interest	2,367
<b>Total Transfer into LRF by General Government</b>	<b>9,362</b>
Interest earned by LRF	447
<b>Total Inflows</b>	<b>9,809</b>
Principal paid out of LRF	6,167
Interest paid out of LRF	1,221
<b>Total Outflows</b>	<b>7,388</b>
<b>Closing LRF Balance</b>	<b>23,699</b>

## Changes to Expenditure Authority

Section 70(3)(b) of the Cook Islands Constitution allows for expenditure to exceed the appropriation provided that the total amount of all sums issued and paid shall not exceed one and a half percent (1 ½ per cent) of the total amount of all sums appropriated by the Appropriation Act or Acts for that year.

**Table 8 - Executive Council Orders**

Section 70(3) (b) (i) - Calculation	('000)
Total Government Appropriation 2018/19	268,906
Excess (1.5%) of Total Appropriation	4,034
less: Approved expenditure for the March 19 Quarter	3,896
<b>Total Balance</b>	<b>138</b>

Approved Executive Orders under Section 70(3) (b) (i)	('000)
Top up to the Leader of the Opposition Office	81
MP's Travel and Allowance top up	180
Hon. Vaine Mokoroa Appropriation top up	17
Increase to the Capital Distribution Fund	595
Atiu Power Upgrade Project	220
Renovation - Ministry of Corrective Services	31
Mangaia Bus	87
Sports Assistance Fund	47
Atiu Road Improvement Project stage 1 and stage 2	705
Sheraton Foreshore Protection	239
Crown Law - Personnel Funding	60
Tengatangi-Areora-Ngatiarua-By-Election	15
Phamaceuticals	250
Patient Referrals	250
Operating Contingency Buffer	150
Capital Request - Education	55
CFC - Agrigulture - MV's	42
CFC - Agriculture - ICT Equipment	20
CFC - Health Surgical Equipment	100
CFC - Health Water Tank Aitutaki	30
Approval for additional funds for Te Marae Ora to expedite Operation Namu19	88
Personnel Civil List	98
CIIC Maintenance	305
Water Tanks - Port	31
To Tatou Vai	200
<b>Total as at 31st March 2019</b>	<b>3,896</b>

\$3.90 million out of the \$4.03 million allocation was utilised for the quarter 31 March 2019.

## General Government Revenue Analysis

General Government Revenue consists of Taxation Revenue, Trading Revenue from Ministries and Outer Island Administration, Core Sector Support funding received from DCD and Other Revenue received on behalf of Crown by Ministries.

**Table 9 - Operating Revenue - General Government**

	2018/19 Budget Estimate · Full Year ('000)	2018/19 Additional Funding Approval ('000)	2018/19 Total Budget & Approval ('000)	2018/19 Budget Estimate · Qtr 3 ('000)	2018/19 Actual - Qtr 3 ('000)	Variance ('000)	%
Value-added Tax	68,124	0	68,124	51,016	53,440	2,423	5
Income Tax	28,866	0	28,866	22,127	21,043	(1,084)	(5)
Company Tax	23,190	0	23,190	16,180	13,990	(2,190)	(14)
Import Levies	14,159	0	14,159	10,420	10,716	296	3
Withholding Tax	2,508	0	2,508	1,881	942	(939)	(50)
Departure Tax	11,307	0	11,307	8,783	8,877	94	1
<b>Total Taxation Revenue</b>	<b>148,153</b>	<b>0</b>	<b>148,153</b>	<b>110,408</b>	<b>109,008</b>	<b>(1,400)</b>	<b>(0)</b>
Trading Revenue	6,818	0	6,818	3,137	3,796	659	21
Core Sector Support	7,730	0	7,730	5,798	5,798	0	0
Other Revenue	22,622	0	22,622	18,203	20,516	2,313	13
<b>Total Revenue</b>	<b>185,324</b>	<b>0</b>	<b>185,324</b>	<b>137,545</b>	<b>139,118</b>	<b>1,572</b>	<b>1</b>

General Government sector revenue for the period was higher than Budget estimates by \$1.57 million. This is driven mainly by receipts from "other revenue" of \$2.31 million however offset by lower taxation revenue collection which was behind estimate by \$1.40 million.

### Note 2: Taxation Revenue

#### Value Added Tax

Value Added Tax (VAT) revenue collected for the period was \$2.42 million above Budget estimate (5 per cent). This was attributed to increased debt recovery action.

#### Income Tax

Income Tax revenue collected for the period was \$1.08 million below Budget estimate (5 per cent). This was attributed to overdue payment plans by taxpayers and also high level of income tax refunds for the period.

#### Company Tax

Company Tax collected was also \$2.19 million below Budget estimate (14 per cent). The variance was attributed to the utilisation of carryforward losses and overdue payment plans by taxpayers.

#### Import Levies

Import levies collected was \$0.30 million above Budget (3 per cent).

### Withholding Tax

Withholding tax was \$0.94 million (50 per cent) below Budget estimate. These are collected from interests earned on bank deposits, dividends, natural resources amount and royalties. The variance to Budget estimate reflects the nature and timing of these taxes resulting in fluctuating levels of taxes collected.

### Departure Tax

Departure tax collected was \$0.09 million above Budget estimate (1 per cent). This was attributed to increase in the number of departed visitors and families during the month of December.

### Note 3: Trading Revenue

Trading Revenues are collected by Ministries and Outer Island Administrations with Government approved trading activities. Refer to **Table 11** for total recorded for the period.

### Note 4: Core Sector Support

The Core Sector Support replaces the Performance Based Budget Support and aims to enhance the Cook Islands self-sufficiency by enabling predictable, efficient and effective delivery of priority development objectives coupled with practical policy reform. Refer to **Table 9** for total recorded for the period.

### Note 5: Other Revenue

Other Revenues collected for the period was \$20.52 million. \$2.31 million higher than budget estimate for the period.

**Table 10 - General Government Other Revenue Summary**

	2018/19 Budget Estimate Full Year ('000)	2018/19 Additional Funding Approval ('000)	2018/2019 Total Budget & Approval ('000)	2018/19 Budget Estimate Qtr 3 ('000)	2018/19 Actual - Qtr 3 ('000)	Variance ('000) %	
FSC Fees	143	0	143	107	80	(27)	(25)
Immigration Fees	860	0	860	645	786	141	22
IMO Subscription - Maritime CI	66	0	66	50	0	(50)	(100)
Court Services	50	0	50	38	29	(8)	(22)
Instant Fines	80	0	80	60	32	(28)	(47)
Fishing Licences	6,305	0	6,305	6,305	9,531	3,226	51
Fisheries US Treaties	4,505	0	4,505	3,378	1,938	(1,441)	(43)

**Table 9 - General Government Other Revenue Summary Contn'd**

	2018/19 Budget Estimate Full Year ('000)	2018/19 Additional Funding Approval ('000)	2018/2019 Total Budget & Approval ('000)	2018/19 Budget Estimate Qtr 3 ('000)	2018/19 Actual - Qtr 3 ('000)	Variance ('000) %	
Fishing Fines	2,500	0	2,500	1,875	2,263	388	21
Research Fees	2	0	2	1	1	(0)	(40)
Permits	24	0	24	18	9	(9)	(49)
Banana Court -Dividends	10	0	10	0	0	0	0
Bank of the Cook Islands	284	0	284	0	0	0	0
Te Aponga - Dividends	255	0	255	0	0	0	0
Extraordinary SOE-Dividends	60	0	60	0	0	0	0
Bluesky - Dividends	1,150	0	1,150	863	1,600	738	86
Numismatic Revenue	400	0	400	300	98	(202)	(67)
Drivers Licenses	200	0	200	150	211	61	41
Motor Vehicle Registrations	875	0	875	438	146	(291)	(34)
Interest on balances	2,050	0	2,050	1,930	1,930	0	0
Interest on loans to subsidiaries	830	0	830	623	380	(243)	0
Foreign Investment Fees	27	0	27	20	13	(7)	(36)
Upper Air Management	746	0	746	560	384	(175)	(31)
Shipping Reg/Licenses	268	0	268	201	243	42	21
Intl Shipping Licenses	10	0	10	8	24	17	223
Liquor Licensing	70	0	70	53	38	(15)	(28)
Tattslotto Grants	120	0	120	90	146	56	63
Censorship Fees	4	0	4	3	1	(2)	(53)
Circulating Currency- Coins	650	0	650	488	398	(89)	(18)
Employers Liability	75	0	75	0	0	0	0
Motor Vehicle Dealers	3	0	3	2	3	1	39
Gain on Forex	0	0	0	0	228	228	100
Other Misc Revenue	0	0	0	0	4	4	100
<b>Total Other Revenue</b>	<b>22,622</b>	<b>0</b>	<b>22,622</b>	<b>18,203</b>	<b>20,516</b>	<b>2,313</b>	<b>13</b>

This was primarily due to higher than expected Fishing Licenses collected of \$3.23million, higher Fishing Fines of \$0.39 million, higher Dividend from Bluesky of \$0.74 million and higher Gain on foreign exchange \$0.23 million. Offsetting these were lower collection than Budget Estimates in Fisheries US Treaties of \$1.44 million, Numismatic Revenue of \$0.20 million, Motor Vehicle Registration of \$0.29 million and Interest on loan to subsidiaries of \$0.24 million.

### **Fishing Licenses**

The \$3.23 million excess over budget estimates was due to the following;

- An end of the calendar year rush to purchase bilateral purse seine days due to the high presence of Skip Jack Tuna in our EEZ in November and December.
- an extra 7 Long Line vessels purchased licenses for 2019 and continued fishing through the new year. This was not anticipated and makes up for \$0.35 million of the \$3.23 million variance.

### **Fishing Fines**

During the period, sanction was imposed on the Fishing vessel (ORAFCO) of US\$1.6 million. This was equivalent to NZ\$2.26 million, \$0.39 million over the budget estimates.

### **Dividends**

Dividends are collectable at the end of the financial year apart from Bluesky dividends who pay dividend on a quarterly basis. As at the end of this period, total received from Bluesky dividends was \$1.6 million.

## General Government Expenditure Analysis

General Government Expenditures is the aggregate of Ministries, Agencies, Ministerial Offices and Island Administration's expenditures for the period.

### Note 6: Ministry and Pa Enea Expenditures

Total Ministry and Pa Enea expenditures for the period was \$54.58 million, this is \$2.34 million below the Budget Estimates.

**Table 11 - Ministries, Agencies, Ministerial Offices and Pa Enea Operations Summary**

2017/18 Actuals - Qtr 3	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Actual - Qtr 3	Variance	
('000)	('000)	('000)	('000)	('000)	('000)	('000)	%
<b>Operating Revenue</b>							
3,608 Trading Revenue	6,818	0	6,818	3,137	3,796	659	21
<b>3,608 Total Trading Revenue</b>	<b>6,818</b>	<b>0</b>	<b>6,818</b>	<b>3,137</b>	<b>3,796</b>	<b>659</b>	<b>21</b>
<b>Operating Expenditure</b>							
35,740 Personnel	56,163	0	56,163	39,340	37,887	1,453	4
11,738 Operating	20,933	0	20,933	13,809	12,206	1,603	12
3,288 Depreciation	5,208	0	5,208	4,065	4,486	(421)	(10)
<b>50,766 Gross Appropriation</b>	<b>82,304</b>	<b>0</b>	<b>82,304</b>	<b>57,214</b>	<b>54,579</b>	<b>2,635</b>	<b>5</b>
<b>47,158 Net Appropriation</b>	<b>75,486</b>	<b>0</b>	<b>75,486</b>	<b>54,077</b>	<b>50,783</b>	<b>1,976</b>	<b>4</b>

### Trading Revenue

Trading Revenue for period ended March 2019 was \$0.66 million (38 per cent) above Budget estimate, 70 per cent was from the ministries and agencies and 30 per cent for the Pa Enea administrations. Of the \$0.66 million, Ministries, Agencies and Support Offices contributed \$0.46 million and Pa Enea Administrations \$0.20 million.

### Personnel

Personnel Expenditure for period ended March 2019 was \$1.45 million lower than Budget estimate (13 per cent). Ministries, Agencies and Support Offices personnel expenditures was below Budget Estimates by \$1.18 million and \$0.27 million below Budget estimates for Pa Enea Administrations. Unfilled positions, mainly from the Ministry of Health and Education, contributed to the savings for Ministries. 3 of the 10 Pa Enea Administrations exceeded their personnel budget. These Islands are being closely monitored. One of the Islands cash flow has been re-phased to take into account the over-spent.

**Operating**

Operating Expenditure for period ended March 2019 was lower than Budget estimate by \$1.60 million (30 per cent). Greater control of operating expenditure due to the delayed tabling of the Appropriation Bill as a result of the 2018 general election resulted in the under spend for March 2019.

**Depreciation**

Depreciation expenditure was above Budget estimate by \$0.41 million (90 per cent). Ministries and Support Office was below Budget Estimates by \$0.37 million, offset by the Pa Enea Administrations over the Budget Estimates of \$0.78 million. Island Administrations are in the process of accounting for the Chinese Machineries into their Fixed Asset Register without an increase in their depreciation budget. The Budget Department is looking into revising Pa Enea Depreciation budget in the next financial year.



### **Administered Payments and POBOCs**

Administered payments were setup as a category of expenditure where government has provided funding to an agency for a particular purpose that directly relates to an output of a Ministry.

The category of POBOCs will be reserved for key commitments that are legally required of the Crown.

**Table 12 - Administered Payments and POBOC Summary**

	2018/19 Budget Estimate - Full Year (‘000)	2018/19 Additional Funding Approval (‘000)	2018/19 Total Budget & Approval (‘000)	2018/19 Budget Estimate - Qtr 3 (‘000)	2018/19 Actual - Qtr 3 (‘000)	Variance (‘000)	%
Administered Payments	44,482	798	45,280	36,993	31,012	5,982	16
Payment of Behalf of Crown (POBOCs)	25,127	278	25,405	19,590	18,789	801	4
<b>Total</b>	<b>69,609</b>	<b>1,076</b>	<b>70,685</b>	<b>56,584</b>	<b>49,801</b>	<b>6,782</b>	<b>12</b>

#### **Note 7: Administered Payments**

Administered payments were below Budget estimates by \$5.98 million (16 per cent) and mainly attributed to;

- Compensation of employees was \$0.91 million (30 per cent) below Budget estimates with savings in Public Sector Strengthening and Post Tax Amnesty Work
- Use of Goods and Services had a saving of \$2.83 million (17 per cent) against Budget estimates. Provision for Land Rental, Land Rent Review, Road Maintenance and Road Asset Management attributed to this saving.
- Subsidies had a saving of \$0.36 million (3 percent) against Budget estimates. The savings was from Provisions for Inter Islands Shipping.
- Other expenses were also below Budget estimates by \$1.65 million (35 per cent) due to the delay in the establishment of a water utility for Rarotonga, followed by saving in the production of new currency, transportation and sale of old coins’ expenditure.
- Social Assistance was \$0.23 million (9 per cent) below Budget estimates with savings under Government Funded Scholarship and Welfare Payment Allowances.

**Table 13 - Administered Payments**

Administering Ministry	Administered Payment	2018/19	2018/19	2018/19	2018/19	2018/19	Variance		
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - Qtr 3	Actual - Qtr 3	(('000))	(('000))	%
		('000)	('000)	('000)	('000)	('000)			
<b>Compensation of Employees</b>									
Cook Islands Investment Corporation	Infrastructure Committee	75	0	75	56	33	23	41	
Cook Islands Investment Corporation	Joint Venture with Seabed Minerals Authority	130	0	130	127	127	0	0	
Cook Islands Investment Corporation	Special Projects Units	420	0	420	315	209	106	34	
National Environment Service	National Heritage Trust	82	0	82	54	54	0	0	
Finance and Economic Management	Public Sector Strengthening-processes and systems MFEM	345	409	754	566	159	406	72	
Finance and Economic Management	Post Tax Amensty Work	500	0	500	250	17	233	93	
Finance and Economic Management	Director of Civil Aviation	56	0	56	42	0	42	100	
Internal Affairs	Price Tribunal	45	0	45	34	22	12	34	
Justice	Project to bring land records up to date	120	0	120	96	96	0	0	
Justice	Judges Allowances	177	0	177	155	155	0	0	
Public Service Comission	HOM's Salaries	1,373	0	1,373	1,047	1,047	0	0	
Cook Islands Investment Corporation	School Security	250	0	250	188	160	28	15	
Education	Centre of Research and Policy Studies	80	0	80	60	0	60	100	
<b>Total Compensation of Employees</b>		<b>3,653</b>	<b>409</b>	<b>4,062</b>	<b>2,989</b>	<b>2,079</b>	<b>910</b>	<b>30</b>	

**Table 13 - Administered Payments Contn'd**

Administering Ministry	Administered Payment	2018/19	2018/19	2018/19	2018/19	2018/19 Variance			
		Budget	Additional	Total	Budget	Actual -			
		Estimate - Full Year	Funding Approval	Budget & Approval	Estimate - Qtr 3	Qtr 3	(000)	(000)	%
		('000)	('000)	('000)	('000)				
<b>Use of Goods and Services</b>									
Cultural Development	Te Maeva Nui Constitution Celebrations	3,694	0	3,694	3,694	3,409	285	8	
Cook Islands Investment Corporation	Provision for Land Rentals	1,962	0	1,962	1,472	521	951	65	
Cook Islands Investment Corporation	Land Rent Reviews #	642	0	642	482	0	482	100	
Education	Tertiary Training Institutions	760	0	760	570	541	29	5	
Education	Centre of Excellence in Information Technology (CEIT)	150	0	150	113	5	107	95	
Finance and Economic Management	Audit of Crown Accounts	30	0	30	23	0	23	100	
Finance and Economic Management	Border Management System Maintenance	155	0	155	155	155	0	0	
Finance and Economic Management	Standard and Poors Subscription	55	0	55	55	59	(4)	(6)	
Finance and Economic Management	Special Investigative and Prosecution Services	200	0	200	150	26	124	83	
Finance and Economic Management	Debt Advisory Services	60	0	60	45	45	0	0	
Crown Law	Arbitration Case	1,159	0	1,159	1,144	1,144	0	0	
Foreign Affairs	Cook Islands Student Association Support	5	0	5	4	0	4	100	

**Table 13 - Administered Payments Contn'd**

Administering Ministry	Administered Payment	2018/19	2018/19	2018/19	2018/19	2018/19 Variance			
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - Qtr 3	Actual - Qtr 3			
		('000)	('000)	('000)	('000)	('000)	('000)	(%)	
<b>Use of Goods and Services</b>									
Head Of State	Domestic Hosting Entertainment	15	0	15	11	11	0	0	
Head Of State	QR Social Responsibility Fund	8	0	8	8	8	0	6	
Health	Pharmaceuticals	868	100	968	893	893	0	0	
Infrastructure Cook Islands	Outer Islands Equipment Repairs of Unanticipated Breakdowns	200	0	200	150	131	19	13	
Infrastructure Cook Islands	Waste Management	545	0	545	409	329	79	19	
Infrastructure Cook Islands	Water Maintenance	500	0	500	375	259	116	31	
Infrastructure Cook Islands	Road Maintenance	630	0	630	473	241	231	49	
Infrastructure Cook Islands	Road Asset Management	650	0	650	325	154	171	53	
Infrastructure Cook Islands	Bridges and Drainage Maintenance	600	0	600	600	600	0	0	
Internal Affairs	Lease extension	72	0	72	54	36	18	33	
Internal Affairs	Vaka Maintenance	400	0	400	300	264	36	12	
Parliamentary Services	Pacific Legislatures for Population and Governance (PLPG)	52	0	52	42	42	0	0	
Parliamentary Services	Special Select Committee #	10	0	10	9	9	0	0	
Cultural Development	Remuneration Tribunal Committee	0	0	0	0	5	(5)	0	
Cultural Development	Te Kopapa Reo Maori Board	15	0	15	11	5	6	54	

**Table 13 - Administered Payments Contn'd**

Administering Ministry	Administered Payment	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Actual - Qtr 3	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	(%)
<b>Use of Goods and Services</b>								
Prime Minister's Office	Social Responsibility Fund	243	0	243	243	243	0	0
Police	Search and Rescue	20	0	20	15	0	15	100
Police	Serious Crime Investigations	50	0	50	38	32	6	15
Police	Te Kukupa - Biannual Slipping	150	0	150	113	14	98	87
Police	Te Kukupa - Fuel Contribution	140	0	140	140	140	0	0
Police	Youth Program	45	0	45	34	2	32	94
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,072	0	5,072	4,142	4,142	0	0
Foreign Affairs	Returned Services Association	5	0	5	4	0	4	100
Prime Minister's Office	Community Support Fund	100	0	100	86	86	0	0
Crown Law	Pacific Islands Law Officers Network (PILON)	30	0	30	30	29	1	2
Marine Resources	15th Forum Fisheries Ministerial Meeting	37	0	37	28	28	(0)	(1)
Environment	E-Waste Management	0	15	15	11	9	2	20
<b>Total Use of Goods and Services</b>		<b>19,329</b>	<b>115</b>	<b>19,444</b>	<b>16,447</b>	<b>13,616</b>	<b>2,831</b>	<b>17</b>
<b>Subsidies</b>								
Education	University of the South Pacific Contribution	205	0	205	169	169	0	0

**Table 13 - Administered Payments Contn'd**

Administering Ministry	Administered Payment	2018/19	2018/19	2018/19	2018/19	2018/19	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - Qtr 3	Actual - Qtr 3	(000)	(000)
		('000)	('000)	('000)	('000)	('000)		
<b>Subsidies</b>								
Finance and Economic Management	Air New Zealand - Subsidies	12,000	0	12,000	9,842	9,842	0	0
Finance and Economic Management	Provision for Inter Island Shipping	500	0	500	375	72	303	81
Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Eua	45	0	45	34	0	34	100
Finance and Economic Management	Asian Infrastructure Investment Bank (AIIB) membership	31	0	31	23	0	23	100
<b>Total Subsidies</b>		<b>12,781</b>	<b>0</b>	<b>12,781</b>	<b>10,442</b>	<b>10,082</b>	<b>360</b>	<b>3</b>
<b>Social Assistance</b>								
Education	Government Funded Scholarships	660	0	660	495	452	43	10
Health	Patient Referrals	550	274	824	785	785	0	0
Health	Nursing School	234	0	234	234	266	(32)	0
Health	NCD Fund	195	0	195	195	195	0	0
Internal Affairs	Welfare Payments - Allowances	983	0	983	738	535	203	0
Justice	Legal Aid	40	0	40	20	1	19	100
<b>Total Social Assistance</b>		<b>2,663</b>	<b>274</b>	<b>2,937</b>	<b>2,467</b>	<b>2,234</b>	<b>233</b>	<b>9</b>

**Table 13 - Administered Payments Contn'd**

Administering Ministry	Administered Payment	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Variance Actual - Qtr 3		
		('000)	('000)	('000)	('000)	('000)	('000)	%
<b>Other Expense</b>								
Cook Islands Investment Corporation	Establishment and implementation of a water utility for Rarotonga	1,400	0	1,400	1,050	185	865	82
Education	Private School Funding	2,230	0	2,230	1,779	1,779	0	0
Marine Resources	Fisheries Development Facility	200	0	200	150	79	71	47
Marine Resources	Fisheries Development Facility in the Pa Enea	100	0	100	75	24	51	67
Internal Affairs	CISNOC Grant	520	0	520	390	220	170	44
Internal Affairs	SIF - Cook Islands Government Contribution	881	0	881	661	524	137	21
Finance and Economic Management	Conduct of a Labour Force Survey	100	0	100	75	0	75	100
Finance and Economic Management	Production of new currency, transportation and sale of old coins	350	0	350	263	35	227	87
Finance and Economic Management	Marumaruatua	275	0	275	206	155	51	25
<b>Other Expenses</b>	<b>Total Other Expenses</b>	<b>6,056</b>	<b>0</b>	<b>6,056</b>	<b>4,649</b>	<b>3,002</b>	<b>1,647</b>	<b>35</b>
<b>Grand Total</b>	<b>Grand Total</b>	<b>44,482</b>	<b>798</b>	<b>45,280</b>	<b>36,993</b>	<b>31,012</b>	<b>5,982</b>	<b>16</b>

## Note 8: Payments On Behalf of Crown (POBOC)

The overall POBOC expenditure was below Budget estimates with savings of \$0.80 million (4 per cent). This was mainly attributed to the saving in:

- Compensation of Employees (below \$0.11million) from Parliamentary Superannuation.
- Use of Good and Services (below \$0.20million) from Audit fees and Civil List Constituency visits.
- Subsidies (below \$0.43 million) from TAU social assistance subsidies and BCI social assistance subsidies.
- Other expenses (below \$0.05 million) due to lower spending on international subscriptions and Cook Island Government insurance.

**Table 14 - Payments On Behalf of Crown (POBOCs)**

Administering Ministry	Payments On Behalf of Crown (POBOC)	2018/19 Budget Estimate Full Year ('000)	2018/19 Additional Funding Approval ('000)	2018/19 Total Budget & Approval ('000)	2018/19 Budget Estimate Qtr 3 ('000)	2018/19 Actual - Qtr 3 ('000)	Variance ('000)	%
<b>Compensation of Employees</b>								
Finance and Economic Management	Parliamentary Superannuation	180	0	180	135	85	50	37
Audit (PERCA)	PERC Salaries and Administration Costs	43	0	43	32	27	4	14
Parliamentary Services	Civil List - Personnel	2,268	0	2,268	1,774	1,740	34	2
Parliamentary Services	House of Ariki	228	0	228	171	145	26	15
<b>Total Compensation of Employees</b>		<b>2,719</b>	<b>0</b>	<b>2,719</b>	<b>2,113</b>	<b>1,998</b>	<b>115</b>	<b>5</b>
<b>Use of Goods and Services</b>								
Audit (PERCA)	Audit Fees	96	0	96	72	0	72	100
Parliamentary Services	Civil List - Constituency Visits	170	0	170	128	45	82	65
Parliamentary Services	Parliamentary Sitting Expenses	120	0	120	96	96	0	0



**Table 14 - Payment on Behalf of Crown Contn'd**

Administering Ministry	Payments On Behalf of Crown (POBOC)	2018/19	2018/19	2018/19	2018/19	2018/19	Variance	
		Budget Estimate Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate Qtr 3	Actual - Qtr 3	('000)	%
		('000)	('000)	('000)	('000)	('000)	('000)	%
<b>Use of Goods and Services</b>								
Parliamentary Services	MP Travel and Allowances (local and overseas)	141	180	321	247	247	0	0
Parliamentary Services	QR Travel and Allowances (local and overseas)	109	0	109	98	98	0	0
Foreign Affairs	IMO - Maritime Cook Islands	63	0	63	48	0	48	100
<b>Total Use of Goods and Services</b>		<b>699</b>	<b>180</b>	<b>879</b>	<b>688</b>	<b>487</b>	<b>202</b>	<b>29</b>
<b>Subsidies</b>								
Cook Islands Investment Corporation	BCI - social assistance subsidy	120	0	120	90	0	90	100
Cook Islands Investment Corporation	Airport Authority subsidy	2,048	0	2,048	1,536	1,536	0	0
Cook Islands Investment Corporation	Ports Authority - subsidy	110	0	110	83	28	55	67
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380	0	380	285	0	285	100
<b>Total Subsidies</b>		<b>2,658</b>	<b>0</b>	<b>2,658</b>	<b>1,994</b>	<b>1,564</b>	<b>430</b>	<b>22</b>
<b>Social Assistance</b>								
Internal Affairs	Welfare Payments	18,157	0	18,157	14,263	14,263	0	0
<b>Total Social Assistance</b>		<b>18,157</b>	<b>0</b>	<b>18,157</b>	<b>14,263</b>	<b>14,263</b>	<b>0</b>	<b>0</b>
<b>Other Expense</b>								
Finance and Economic Management	Pacific Catastrophe Risk Insurance	121	0	121	121	153	(32)	(27)

**Table 13 - Payment on Behalf of Crown Contn'd**

Administering Ministry	Payments On Behalf of Crown (POBOC)	2018/19 Budget Estimate Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate Qtr 3	2018/19 Actual - Qtr 3	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Finance and Economic Management	CIG Insurance	100	0	100	75	39	36	48
Foreign Affairs	International Subscriptions	674	0	674	337	287	50	15
<b>Expenses</b>		<b>894</b>	<b>0</b>	<b>894</b>	<b>533</b>	<b>479</b>	<b>54</b>	<b>10</b>
<b>Grand Total</b>		<b>25,127</b>	<b>180</b>	<b>25,307</b>	<b>19,590</b>	<b>18,789</b>	<b>801</b>	<b>4</b>

## Note 9: Other General Government Operating

Other operating spending for the General Government sector were 13 per cent below Budget estimates. Foreign exchanges movements expenditure attributed to this variance for the quarter.

**Table 15 - Other General Government Operating**

2017/18 Actual Qtr 3	Category of Expense	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Actual - Qtr 3	Variance	
('000)		('000)	('000)	('000)	('000)	('000)	('000)	%
515	Contingency Funds - Operating	200	0	200	150	199	(49)	(33)
3,452	Crown Infrastructure Depreciation	4,603	0	4,603	3,452	3,452	(0)	(0)
38	Transfer to Emergency Response Trust Fund	50	0	50	38	38	(1)	(1)
444	Transfer to Reserve Trust Fund	741	0	741	556	556	(0)	(0)
223	Depreciation Contingency Reserve	4,066	0	4,066	3,049	0	3,049	100
1,818	Debt Servicing Interest	2,367	0	2,367	1,775	1,664	112	6
4,298	Foreign Exchange (Gain)/Loss	0	0	0	0	1,963	(1,963)	(100)
3	Other	0	0	0	0	0	0	0
<b>10,791</b>	<b>Total Other Expenses</b>	<b>12,026</b>	<b>0</b>	<b>12,026</b>	<b>9,020</b>	<b>7,871</b>	<b>1,148</b>	<b>13</b>

## Capital Expenditure

Capital Expenditure was well below expectations by \$0.46 million (2 per cent) due mainly to timing of spending related to a number of projects especially projects allocated to Cook Islands Investment Corporations.

**Table 16 - Capital Expenditure**

Ministry/ Island	PROJECT/PROGRAMME	2018/19 Budget Estimate - Full Year (‘000)	2018/19 Additional Funding Approval (‘000)	2018/19 Total Budget & Estimate - Approval (‘000)	2018/19 Budget Estimate - Qtr 3 (‘000)	2018/19 Actual - Qtr 3 (‘000)	Variance (‘000)	%
<b>Agricultures</b>								
Rarotonga	Vanilla Shade House	30	0	30	21	21	0	0
		<b>30</b>	<b>0</b>	<b>30</b>	<b>21</b>	<b>21</b>	<b>0</b>	<b>0</b>
<b>Cook Islands Investment Corporations</b>								
Rarotonga	Nukutere Rebuild	530	0	530	11	11	0	0
Rarotonga	Vaikapuangi Government Building - design	130	0	130	95	95	0	0
Rarotonga	Tereora College Stage 1 Works	204	0	204	0	0	0	0
Rarotonga	Te Mato Vai - Stage 1	650	0	650	0	0	0	0
Pukapuka	Pukapuka Hospital	500	0	500	12	12	0	0
Pukapuka	Government House Pukapuka	0	0	0	0	0	0	0
Rarotonga	Repairs TSA, Police and Justice building	0	0	0	0	0	0	0
Rarotonga	TMV Titikaveka Backroad Rehabilitation	127	0	127	0	0	0	0
Rarotonga	China Building Repair	340	0	340	0	0	0	0
		<b>2,481</b>	<b>0</b>	<b>2,481</b>	<b>118</b>	<b>118</b>	<b>0</b>	<b>0</b>
<b>Education</b>								
National	Fund to be Prioritised by Education	110	0	110	110	107	3	2
		<b>110</b>	<b>0</b>	<b>110</b>	<b>110</b>	<b>107</b>	<b>3</b>	<b>2</b>
<b>Health</b>								
National	Fund to be Prioritised for Technical Equipment	275	0	275	156	156	0	0
Rarotonga	Medical Service Bed End Panels	78	0	78	39	39	0	0

**Table 16 - Capital Expenditures Contn'd**

Ministry/ Island	PROJECT/PROGRAMME	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Actual - Qtr 3	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
<b>Health</b>								
Rarotonga	Hospital Incinerator	217	0	217	79	79	0	0
Rarotonga	Ambulance	148	0	148	111	0	111	100
		<b>718</b>	<b>0</b>	<b>718</b>	<b>384</b>	<b>273</b>	<b>111</b>	<b>29</b>
<b>Internal Affairs</b>								
Rarotonga	Vaka Maintenance Capital Projects	50	0	50	0	0	0	0
		<b>50</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ministry of Economic and Financial Management</b>								
Rarotonga	FMIS purchase and implementation	644	0	644	268	268	(0)	0
Rarotonga	AEOI IT System	122	0	122	91	35	57	62
Rarotonga	Water & Sanitation Programme (WASP)	250	0	250	188	52	135	72
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	23,750	0	23,750	13,378	13,378	0	0
		<b>24,766</b>	<b>0</b>	<b>24,766</b>	<b>13,925</b>	<b>13,734</b>	<b>191</b>	<b>1</b>
<b>Infrastructure Cook Islands</b>								
Atiu	Atiu Road Improvement	250	705	955	219	219	0	0
Aitutaki	Aitutaki road Improvement Programme	226	0	226	191	191	0	0
National	Bitumen Truck	0	14	14	14	14	0	0
Rarotonga	Bridges & Drainage	1,299	0	1,299	74	74	0	0
Rarotonga	Muri Road Widening	288	0	288	8	8	0	0
Various	Cyclone Centre Program	1,050	0	1,050	539	539	0	0
Rarotonga	Avatiu Valley Stream embankment	394	0	394	1	1	0	0
Rarotonga	Road Asset Management	2,000	0	2,000	429	429	0	0
Mangaia	Mangaia Road Sealing	0	138	138	60	60	0	0
Mangaia, Atiu, Mauke	HV Transport Trailer	0	14	14	9	9	0	0
Mangaia	Tamarua Water Project	134	81	215	137	137	0	0
Manihiki	Airport Terminal - construction	0	16	16	13	13	0	0

**Table 16 - Capital Expenditures Contn'd**

Ministry/ Island	PROJECT/PROGRAMME	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Actual - Qtr 3	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
<b>Infrastructure Cook Islands</b>								
Manihiki	Tukao Passage Widening	141	0	141	7	7	0	0
Mitiaro	Water Upgrade	382	0	382	131	131	0	0
Penrhyn	Omoka Harbour Upgrade	250	0	250	132	132	0	0
Pukapuka	Upgrade of Airport terminal buildings	14	46	60	48	48	0	0
Rarotonga	Tereora Drainage Improvement	117	0	117	0	0	0	0
Aitutaki	Establishing new water galleries	418	0	418	81	81	0	0
Rarotonga	Culvert	600	0	600	5	5	0	0
Rarotonga	Apii Nikao School access road	0	100	100	22	22	0	0
Rarotonga	Sheraton Foreshore Project	0	239	239	239	239	0	0
		<b>7,562</b>	<b>1,353</b>	<b>8,916</b>	<b>2,362</b>	<b>2,361</b>	<b>0</b>	<b>0</b>
<b>Office of the Prime Ministers</b>								
Atiu	Atiu Power Distribution	0	580	580	396	396	0	0
Aitutaki	Aitutaki Renewable Energy	2,474	(1,101)	1,374	50	50	0	0
Pa Enea	Renewable Energy - Capital works	3,164	1,101	4,265	1,094	1,094	0	0
National	Government IT Network	40	0	40	39	39	0	0
National	Renewable Management Project Management and Support	250	0	250	188	96	92	49
National	Manatua Polynesian Cable (Loan Component)	2,000	0	2,000	0	0	0	0
Mangaia	Mangaia Bus	0	87	87	87	87	0	0
		<b>7,928</b>	<b>667</b>	<b>8,595</b>	<b>1,854</b>	<b>1,763</b>	<b>91</b>	<b>6</b>
<b>Administered by MFEM</b>								
National	Capital Distribution Fund	763	595	1,358	421	421	0	0
Pa Enea	Outer Islands Small Capital Fund	110	0	110	83	23	60	72
	Aitutaki	16	0	16	12	0	12	0
	Atiu	12	0	12	9	0	9	0
	Mangaia	12	0	12	9	6	3	34
	Manihiki	10	0	10	8	0	8	0
	Mauke	10	0	10	8	2	6	0
	Mitiaro	8	0	8	6	1	5	0

**Table 16 - Capital Expenditures Contn'd**

Ministry/ Island	PROJECT/PROGRAMME	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Estimate - Approval	2018/19 Budget Estimate - Qtr 3	2018/19 Actual - Qtr 3	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
	Palmerston	10	0	10	8	3	4	0
	Penrhyn	12	0	12	9	3	6	0
	Pukapuka-Nassau	12	0	12	9	3	6	62
	Rakahanga	8	0	8	6	4	2	0
		<b>873</b>	<b>595</b>	<b>1,468</b>	<b>504</b>	<b>444</b>	<b>60</b>	<b>12</b>
	<b>GRAND TOTAL</b>	<b>44,519</b>	<b>2,615</b>	<b>47,134</b>	<b>19,278</b>	<b>18,821</b>	<b>456</b>	<b>2</b>

**Cook Islands Investment Corporation Capital Expenditures****Nukutere Rebuild**

Tender process was awarded in the third quarter, however more spend will be forthcoming in the last quarter of the financial year.

**Hospital Reconstruction - Pukapuka**

Final scoping and costings was completed at the end of December 2018 - project expected to start before end of the financial year 30 June 2019.

**TMV Titikaveka Backroad Rehabilitation**

Cook Islands Investment Corporation has indicated utilisation of funds in the last quarter of 2019.

**Ministry of Economic and Financial Management****Te Mato Vai - Rarotonga Water Upgrade**

Te Mato Vai – Rarotonga Water Upgrade was \$13.38 million spend as at March 2019, largely due to the full expenditure of ODA prior to the expenditure of CIG funds. Te Mato Vai is not only Capital funded (Cook Island Government funded) but also funded through New Zealand and China (ODA). ODA (NZ and China Aid) funds are being utilised first then the Government contribution - capital funding. Constructions (Stage 2) are in progress and estimated to be completed by end of the calendar year.

**Infrastructure Cook Islands****Tukao Passage Widening**

Procurement for parts and explosives was earmarked for January 2019 after which project will proceed. The project has been delayed to commence in the last quarter.

**Tereora Drainage Improvement**

Tereora Drainage project is in progress with survey and design stage 40 per cent completed. Funds will be utilised in the last quarter for this project.

## Crown Gross Debt

### Note 10 : Foreign Borrowings

The total gross debt (Foreign Borrowings) by the Crown at the end of the quarter 31 March 2019 was \$95.91 million, an decrease of \$2.84 million from the December 2018 quarter (Table 18).

This decrease was a result of principal repayments of \$2.70 million and a favourable movement in exchange rates of \$0.14 million.

### General Government Net Debt

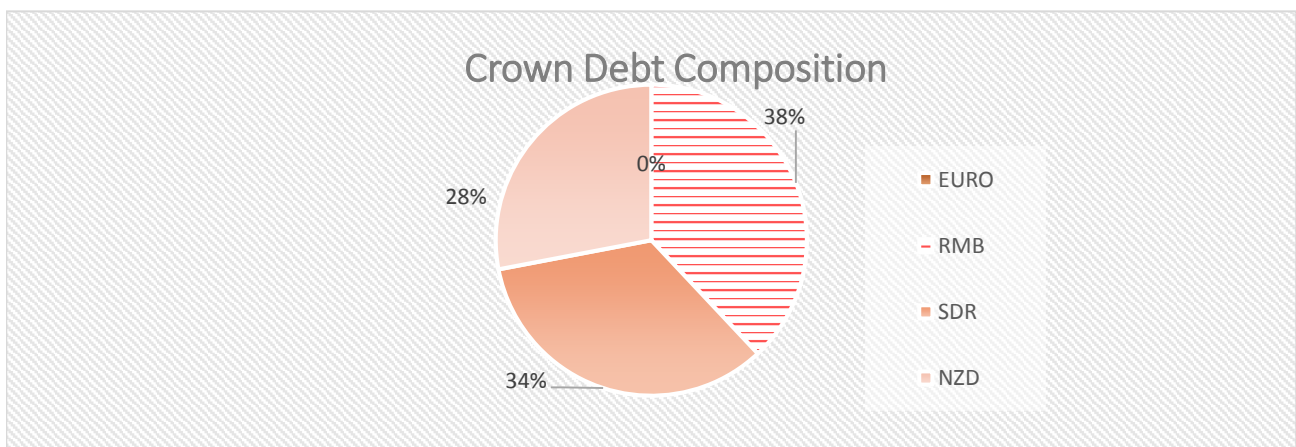
The general government's 'Net Debt' is the total gross debt net of the Loan Repayment Fund (LRF) and SOE debts. General Government Net Debt at 31 March 2019 was \$51.01 million, a \$0.81 million net increase from the December 2018 quarter.

Table 17 - Capital Expenditure

Foreign Exchange Currency	30-Dec-18	31-Mar-19	Change to December 18
EUR	0.5812	<b>0.5183</b>	(0.0629)
USD	0.6702	<b>0.6749</b>	0.0047
CNY	4.6144	<b>4.6063</b>	(0.0081)
SDR	0.4825	<b>0.4877</b>	0.0052

Figure 2

### Composition of Crown Debt by Foreign Currency





**Table 18 - Crown Debt**

Loan Discription	Source (Currency)	Loan in Orginal Currency ('000)	Loan Start Date	Loan End Date	Dec 2018 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	March 2019 Balance ('000)	Change Dec 18 Qtr ('000)
China - Multi-Functional Indoor Sports Stadium Loan	CNY	67,260	Aug-08	Aug-28	<b>9,404</b>	(475)	20	0	<b>8,949</b>	(455)
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	<b>24,685</b>	(831)	50	0	<b>23,904</b>	(781)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	<b>220</b>	(55)	(1)	0	<b>164</b>	(56)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	<b>284</b>	0	(2)	0	<b>282</b>	(2)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	<b>1,512</b>	(84)	(9)	0	<b>1,419</b>	(93)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	<b>3,852</b>	(160)	(24)	0	<b>3,668</b>	(184)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	<b>988</b>	0	(7)	0	<b>981</b>	(7)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	<b>342</b>	0	(3)	0	<b>339</b>	(3)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	<b>396</b>	(12)	(2)	0	<b>382</b>	(14)
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	<b>2,418</b>	(75)	(15)	0	<b>2,328</b>	(90)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	<b>2,076</b>	(61)	(14)	0	<b>2,001</b>	(75)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	<b>4,741</b>	(125)	(38)	0	<b>4,578</b>	(163)
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	<b>830</b>	(20)	(7)	0	<b>803</b>	(27)
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	<b>2,007</b>	0	(14)	0	<b>1,993</b>	(14)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	<b>3,464</b>	0	(24)	0	<b>3,440</b>	(24)
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	<b>9,011</b>	0	0	0	<b>9,011</b>	0
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	<b>7,216</b>	0	(50)	0	<b>7,166</b>	(50)

Table 18 - Crown Debt Contn'd

Loan Discription	Source (Currency)	Loan in Orginal Currency ('000)	Loan Start Date	Loan End Date	Dec 2018 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	March 2019 Balance ('000)	Change Dec 18 Qtr ('000)
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,023	0	0	0	5,023	0
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	5,438	(302)	0	0	5,136	(302)
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	6,029	(502)	0	0	5,527	(502)
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	8,813	0	0	0	8,813	0
<b>Total Gross Borrowings</b>					<b>98,749</b>	<b>(2,702)</b>	<b>(140)</b>	<b>0</b>	<b>95,907</b>	<b>(2,842)</b>
<i>Less Loan Repayment Fund</i>					<b>26,572</b>	0	0	(2,873)	<b>23,699</b>	<b>(2,873)</b>
<b>Net Borrowing by the Crown</b>					<b>72,177</b>	<b>(2,702)</b>	<b>(140)</b>	<b>(2,873)</b>	<b>72,208</b>	31
<i>Less Avatiu Port Development</i>					<b>21,250</b>	0	(50)	0	<b>21,200</b>	(50)
<b>Net Borrowing by the General Government</b>					<b>50,927</b>	<b>(2,702)</b>	<b>(90)</b>	<b>(2,873)</b>	<b>51,008</b>	<b>81</b>

### **Official Development Assistance (ODA)**

Official Development Assistance was appropriated at the total value of \$61.1 million in the 2018/19 Budget. This value includes all ODA projects including significant projects such as the Manatua Cable project, the Renewable Energy Grant from the Green Climate Fund and Core Sector Support Grant Funding with New Zealand with outputs 1 - 3 treated as Revenue (Core Sector Support) through Treasury and distributed to core ministries (Education, Health and Tourism).

Total spend illustrates programme/project expenditures from July 2018 to March 2019. ODA estimated spend to date is reported at \$18.21 million representing a 30 per cent spend against the total Budget Estimates.

We have highlighted the major projects below but refer to **ANNEX ONE** for a full status report on all ODA activities.

**Table 19 - Official Development Assistance (ODA)- Estimated Spend**

Projects by Agency	Development Partners	Executing Agency	2018/19 Budget Estimate - Full Year ('000)	2018/19 Estimated Spend - Qtr 3 ('000)	Variance ('000)
Chinese Building Repairs	China	MFEM	2,560	0	2,560
Regional Ridge to Reef Project - Testing the Integration of Water, Land, Forest & Coastal Management	Global Environment Facility	MFEM	76	0	76
Gender Empowerment	Australia		0	62	-62
India Grant Fund	India	MULTI	105	115	(10)
Pacific Parliamentary Development Project	UNDP	PARLIAMENT	76	0	76
Diaster Resillience for Small Pacific Islands (RESPAC Cook Islands )	UNDP		152	142	10
US Treaty Project Development Fund (PDF) Support	FFA		30	114	(84)
Pacific Agreement on Closer Economic Relations (PACER) Plus	Australia		20	0	20
Grassroots Grant Fund	Japan		300	0	300
Non Project Grant Aid - Palmerston Cyclone Centre	Japan		1,040	935	105
Economic Social Development Programme 2018-Japanese Machinery and Equipment	Japan		2,000	63	1,937
JICA Training and Development	Japan		125	125	0
General Budget Support	European Union		1,440	0	1,440
Manatua Polynesian Cable Project	New Zealand		10,000	2,780	7,220
Aid Effectiveness	Other		100	61	39

**Table 19 -Official Development Assistance (ODA) - Estimated Spend Cont'd**

Projects by Agency	Development Partners	Executing Agency	2018/19 Budget Estimate - Full Year ('000)	2018/19 Estimated Spend - Qtr 3 ('000)	Variance ('000)
Te Mato Vai	New Zealand	MFEM	3,400	3,400	0
Mei Te Vai Ki Te Vai (MTVKTV)	New Zealand	MFEM	4,362	550	3,812
TRAC Funds	UNDP		94	0	94
Cook Islands Core Sector Support	New Zealand		7,700	4,576	3,124
New Zealand Triennium Fund	New Zealand		9,026	0	9,026
Sustainable Fisheries Partnership Agreement	European Union	MMR	486	357	129
NZ Volunteer Services Aboard	New Zealand		160	0	160
Japan Trust Fund	Japan		87	0	87
Project Development Fund - US Fisheries Treaty	Forum Fisheries Agency	MMR	236	114	122
FAO Country Programme Framework Cook Islands	FAO		230	0	230
Improved production processing and marketing of agricultural produce	FAO		230	0	230
Bio control of Invasive weeds	New Zealand		50	0	50
Establishment of the Community-based ICH Inventory in the CI	UNESCO		50	0	50
Cultural Small Grants (WIPO, India, China)	Multilateral Fund		760	0	760
SPC Small Grants	Secretariat of the Pacific Community	MOH	11	0	11
Strengthening Specialised Clinical Services in the Pacific (SSCSIP)	Australia		11	0	11
WHO Biennium Budget Support	WHO	MOH	205	101	103
Small Health Grants	Multilateral Fund		50	15	35
Western Pacific Multi-country Integrated HIV/TB programme - UNDP	UNDP		56	67	-11
National Children's Policy Project	UNICEF		0	26	-26
Ridge to Reef	Global Environment Facility	NES	1,084	2,062	-978

**Table 19 -Official Development Assistance (ODA) - Estimated Spend Cont'd**

Projects by Agency	Development Partners	Executing Agency	2018/19 Budget Estimate - Full Year ('000)	2018/19 Estimated Spend - Qtr 3 ('000)	Variance ('000)
Strengthening the Implementation of the Nagoya Protocol on Access to Genetic Resources and Benefit Sharing in the Cook Islands	Global Environment Facility	NES	282	0	282
E-Government TA Support	Asian Development Bank	MFEM	1	40	(39)
Renewable Energy Grant (Southern Group)	European Union	MFEM	1,529	272	1,257
Renewable Energy Grant (Southern Group)	Global Environment Facility		1,062	1,143	-81
Renewable Energy Grant - Battery Storage	Green Climate Fund		9,160	0	9,160
Preparation of the Third National Communication under UN Framework Convention on Climate Change (UNFCCC)	Global Environment Facility	OPM	389	81	308
Green Climate Fund Readiness	Green Climate Fund	MULTI	360	483	-123
Pa Enea Action for Resilient Livelihoods (PEARL)	UN Adaptation Fund	OPM	1,500	121	1,379
Northern Water Project Phase 2	EU-German Development Cooperation		206	297	(91)
GEF Small Grants Programme	Global Environment Facility	CI RED CROSS	384	103	281
<b>Total</b>			<b>61,184</b>	<b>18,206</b>	<b>42,979</b>

## **Official Development Assistance (ODA)**

### **Manatua Cable**

Total spend for the period is \$2.78 million. As of October 2018 the 4 Consortium members (Avaroa Cables Limited (ACL) – Cook Islands, Office des Postes et Telecommunications de Polynesia Francaise (OPT) – French Polynesia, Samoa Submarine Cable Company Limited (SSCC) - Samoa and Telecom Niue (TN) - Niue) signed the Construction and Maintenance Agreement (C&MA) and the Supply Contract. A site visit was carried out by SubComm from the 13-18 December 2018 to determine the readiness of the Cook Islands to implement the submarine cable and to ensure the cable is designed to appropriate specifications. The site visit including meeting with Government agencies and ACL. ACL has been formed to operate and manage the Cook Islands stake in the Manatua project and an independent board has been appointed to oversee the company. An exercise to recruit a CEO has been undertaken and an appointment made. A project manager is anticipated to be appointed in April 2019 to provide support. The Manatua consortium has appointed Axiom as specialist technical advisers. The project is on course for Installation by January 2020 and ready for Service in May 2020.

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

NZ contribution towards TMV has been fully expended for the quarter. Cook Islands Government is continuing to fund TMV Stage 2 which is estimated to be completed by the end of the calendar year. McConnell Dowell was awarded the construction for Stage 2. At the end of the calendar year 2018, 8 of the 10 water intakes sites are under construction. 3 intake sites are to be commissioned by May 2019, 3 by July 2019 and 4 by October 2019.

### **Cook Islands Core Sector Support (CSS)**

Total spend for the period is \$4.58 million. The CSS makes up 32% of total New Zealand Aid in the ODA Schedule. The NZ CSS Programme includes direct budget support to Ministry of Education, Cook Islands Tourism and the Ministry of Health. New Zealand Ministry of Foreign Affairs and Trade (MFAT) together with the Ministry of Finance and Economic Management of the Cook Islands are currently drafting the new Core Sector Support Grant Funding Agreement for 2018/19 – 2020/21 which should be finalized by May 2019.

### **China Building Repair**

The Implementing Agency for this project is the Cook Islands Investment Corporation (CIIC). The renovations project is intended for public buildings in Rarotonga namely the Indoor Sports Arena, Ministry of Justice, and Police Headquarters. The Implementation Agreement for this project was finalized and signed in October 2017. Furthermore, the Governments of the Cook Islands and Peoples Republic of China (PRC) have signed Grant Agreements to the value of CNY¥30,000,000, to fund the renovations project. Since then, this project has been suspended pending outcome of discussions between PRC Government and the Cook Islands Government.

### **Economic Social Development Programme 2018-Japanese Machinery and Equipment**

Total spend for the period is \$0.063 million. Per the Exchange of Notes between the governments of Japan and the Cook Islands for this particular programme, a procurement agent agreement was signed with Japan International Cooperation System (JICS ) on 22 August 2018. Through this agreement the grant of two hundred million Japanese Yen (JPY200,000,000) is managed by JICS to procure the goods and/or services for the implementation of this programme on behalf of the Cook Islands. During this reporting period the Excavators contract was signed on 20 March 2019 between JICS and Future bud International Co., LTD. The estimate arrival of the excavators in Rarotonga is mid-January/February 2020. The draft technical specifications for the Drinking water trucks, Sprinkler water truck for civil works, Truck head + trailer and the Patrol type ambulances are undergoing final preparation to be completed early April 2019 to enable advertising for expressions of interest by May 2019

### **Renewable Energy Grant - Battery Storage**

Total spend for the period is \$1.14 million. This funding will be used for the procurement of equipment and materials, civil works, related transportation, insurance, and installation costs for the installation of three additional units of Battery Energy Storage System (BESS). TAU is the implementing agency for this subproject. Procurement for this subproject is in two lots. The Airport South (LOT2) contract was awarded on 28 September 2018. This BESS component of the project is nearing completion and commissioning tests are underway. This BESS comprises 1 MW/4 MWh and is designed for load shifting and enabling additional solar to be installed in the grid.

The delays in payment disbursements to the contractor has been resolved.

### **Mei Te Vai Ki Te Vai (MTVKTV)**

Total spend for the period is \$0.5 million. The purpose of the Mei Te Vai Ki Te Vai Project is to improve the water quality of the lagoons in Rarotonga and Aitutaki for the benefit of our health, environment and economy. The project is still in the planning stage.

## State Owned Enterprises (SOEs)

The table below consolidates 31 March 2019 performances of Cook Islands Investment Corporation (CIIC), Airport Authority, Bank of the Cook Islands, Ports Authority and Te Aponga Uira (TAU).

**Table 20 - State Owned Enterprises (SOEs) Operations**

	2018/19 Budget Estimate - Qtr 3 ('000)	2018/19 Actual - Qtr 3 ('000)	Variance ('000)	%
Trading Revenue	42,401	40,997	(1,405)	-3%
Personnel	9,014	8,067	947	11%
Operating	23,161	20,396	2,765	12%
Depreciation	5,857	5,685	172	3%
<b>Gross Activity Cost</b>	<b>38,032</b>	<b>34,148</b>	<b>3,884</b>	<b>10%</b>
<b>Net Activity Cost (Surplus)</b>	<b>4,370</b>	<b>6,849</b>	<b>2,479</b>	<b>57%</b>

The consolidated group reported a surplus of \$6.85 million, \$2.48 million (57 per cent) ahead of Budget estimates for 31 March 2019. This was from the operating results of TAU, the Airport Authority and Bank of Cook Islands.

The unfavourable variance in trading revenue was primarily CIIC's revenue collection being lower than budget due to timing of budget compared to collection.

Personnel, operating and depreciation were all under budget for the CIIC consolidated group as a result of better control on operating spending and saving on unfilled personnel positions.