

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 30 September 2020 is now available.

Net Operating Balance and Fiscal Balance of General Government

1. Fiscal Balance General Government

September 2020 Quarter	Budget	Actual	Variance
	('000)	('000)	('000)
Operating Revenue	\$29,129	\$25,448	-\$3,682
Operating Expenditure	\$59,394	\$35,286	\$4,002
Net Operating Balance	-\$30,265	-\$29,945	\$320
<i>Add Depreciation</i>	\$1,957	\$1,975	\$15
<i>Less Capital Expenditure</i>	\$4,324	\$4,394	-\$70
Fiscal Balance	-\$32,632	-\$32,367	\$265

**\$32.37
million**

Fiscal Deficit

At a Glance: Fiscal Position

The Net Operating Balance for the period ended 30 September 2020 was a shortfall of \$29.95 million, this represents a \$0.32 million favourable variance compared to the operating balance estimated. This was driven mainly by the effects of COVID-19 and border restrictions on revenue collection (down \$3.62 million) compared to budget estimates.

Operating Revenue reported \$3.68 million lower collection against the budget estimate for the quarter. This was primarily caused by the impact of COVID-19 on the timing of receiving revenue from the fishing licences of \$2.45 million which will be reported in the second quarter. The effects of the pandemic also impacted taxation revenue collection, which recorded \$1.08 million lower than estimated, with the collection of departure tax suffering the most due to travel restrictions.

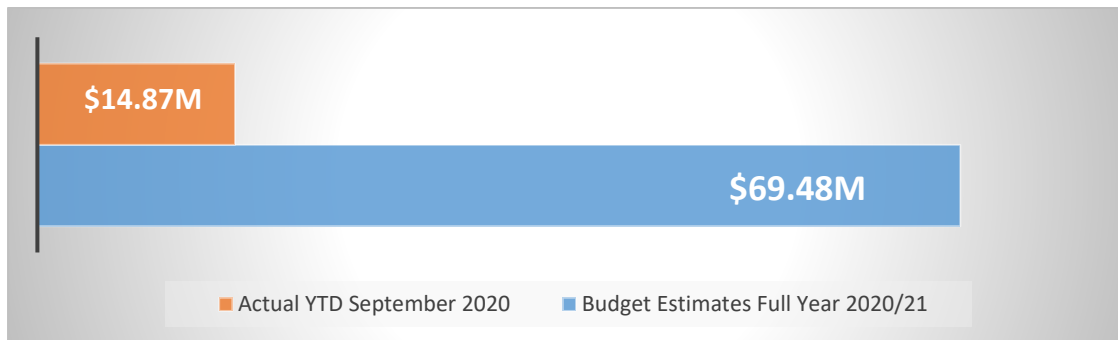
Operating Expenditure reported lower actual spending by \$4.00 million against the budget estimates for the September quarter. This was mainly attributed to the underspending in operating expenditures of Agencies of \$2.97 million due effective monitoring of operating expenses.

Fiscal Balance

Spending on Capital expenditure was on track against budget estimates for the quarter

The overall fiscal balance however was a deficit of \$32.37 million, this is the overall net result after taking into account spending on Capital items and corresponding depreciation cash inflow.

2. Official Development Assistance



Official Development Assistance (ODA) was appropriated at the total value of \$69.48 million in the 2020/21 Appropriation. This value includes the Core Sector Support Grant Funding Arrangement with New Zealand for Education, Health and Tourism.

The first quarter for the financial year 2020/21 reported a total spend of \$14.87 million year to date (YTD) or 21% in proportion to budget.

The low spending for ODA in the first quarter of the financial year was a result of delays in ongoing negotiations on priorities and the design of individual grant funding agreements. Spending is expected to pick up as we progress towards the remaining 9 months of the financial year.

Cook Islands Core Sector Support - Budget Support (NZ Donor)

The New Zealand 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. Funds for the 2020/21 Fiscal Year are currently being processed.

Output 4 TA support current status: 9 projects are being implemented; 4 are tracking towards implementation stage and 2 have been deferred until 2021/ 22 due to covid-19 impacts to the ability to deliver this work.

Asset Management (NZ Donor)

Total Spend for this period is \$648,606. Local company Landholding Limited has been awarded a \$11.2 million contract to undertake work to improve the resilience of the public water supply ring main. All pipe laying and commissioning works are complete (including disinfection and pressure test of the pipes) and the new pipelines are now connected to the network and being operated by To Tatou Vai. Practical completion was awarded to Landholdings on the 7th September 2020. The project has now entered 12 month defect liability period.

Mei Te Vai Ki Te Vai (MTVKTV) (NZ Donor)

Total spend for the period is \$293,438. 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 impact on consultation and design activities have been reassessed in light of the impact of COVID. For detailed information of the Project, please visit <https://www.totatouvai.co/mei-te-vai-ki-te-vai>

3. Financial Position

General Cash Reserves

Estimated General cash reserve at the quarter ended 30 September 2020 was \$53.20 million. Total cash balance was \$119.49 million and includes funds that are committed of \$66.30 million. Committed funds relates to funds set aside for specific purposes which includes the Reserve Trust Fund, the Loan Repayment Fund (LRF), Stabilisation Account Disaster Response Trust and other Trust accounts.

The Stabilisation Account of \$56.7 million has been mobilized to support Government's Economic Response Plan (ERP).

Crown Gross Debt.

The total gross debt by the Crown for the September 2020 period was \$122.71 million, an increase of \$20.94 million from the June 2020 quarter. The increase in debt level was mainly due to additional Loan of \$15.68 million for the Disaster Resilience Programme and an additional drawdown of \$5.82 million from the Undersea Broadband Cable Loan.

Crown Net Debt.

The general government's 'Net Debt' is equivalent to total gross debt, net of the Loan Repayment Fund (LRF) and SOE debts. General Government Net Debt for the financial year ending 30 September 2020 was \$68.45 million, a \$18.15 million increase from the June 2020 quarter. This increase was attributable to the inclusion of the new Disaster Resilience Loan 21 which was fully drawn down during this period.

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