



Cook Islands Government

Quarterly Financial Report

31 DECEMBER 2018

**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.

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 December 2018 was a surplus of \$23.63 million, which represent \$12.82 million higher than the Budget estimates.

- Total operating revenue was above Budget estimates by \$3.94 million primarily as a result of higher than expected fishing licenses revenue collected.
- Total operating expenses was lower than Budget estimates by \$8.88 million driven mainly by lower spending in Administered Payments (\$5.14 million), POBOCs (\$0.18 million), Ministry/ Pa Enea expenditure (\$1.68 million) and Other expenses (\$1.88 million).
- Spending on Capital Expenditure were below Budget estimates by \$4.89 million, further details are reported later in the Capital Expenditure section of this report.

See **Table 1** for detail.

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 2	2018/19 Actual - Qtr 2	Variance	
	('000)	('000)	('000)	('000)	('000)	('000)	%
Operating Revenue	185,324	0	185,324	94,296	98,237	3,941	4
Operating Expenditure	163,939	978	164,917	83,488	74,612	8,876	11
Net Operating Balance	21,385	(978)	20,407	10,808	23,625	12,817	119

General Government - Fiscal Balance

The overall fiscal balance of \$16.17 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 2	2018/19 Actual - Qtr 2	Variance	
	('000)	('000)	('000)	('000)	('000)	('000)	%
Net Operating Balance	21,385	978	20,407	10,808	23,625	12,817	119
Add Crown Depreciation	4,603	0	4,603	2,301	1,151	(1,150)	(50)
Add Ministry Depreciation	3,161	0	3,161	1,910	1,751	(159)	(8)
Add Pa Enuu Depreciation	1,124	0	1,124	468	1,033	565	121
Less Capital Expenditure - CI Govt Funded	44,519	2,615	47,134	16,298	11,391	(4,906)	(30)
Fiscal Balance	(14,247)	(1,637)	(17,840)	(810)	16,169	16,979	(2,096)

Summary of the Financial Performance of the General Government

The net operating surplus of the General Government sector for the period ended December 2018 was \$23.63 million, representing a surplus of \$12.82 million on the Budget estimates for the same period.

The surplus was driven by higher overall revenue collection of \$3.94 million, followed by lower overall spending of \$8.88 million compared to the Budget Estimates.

Table 3 - Net Operating Balance period ending 31 December 2018

	Notes	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 2	2018/19 Actual - Qtr 2	Variance
		('000)	('000)	('000)	('000)	('000)	('000)
<u>Operating Revenue</u>							
Taxation Revenue	2	148,153	0	148,153	78,519	78,933	414
Other Revenue	5	22,622	0	22,622	9,932	12,995	3,064
Trading Revenue	3	6818	0	6,818	1,980	2,443	463
Core Sector Support	4	7,730	0	7,730	3,865	3,865	0
Total Operating Revenue		185,324	0	185,324	94,296	98,237	3,941
<u>Operating Expenditure</u>							
Ministry/ Pa Enua Expenditure	6	82,304	0	82,304	38,113	36,437	1,676
Administered Payments	7	44,482	798	45,280	26,351	21,211	5,140
Payments on Behalf of the Crown	8	25,127	180	25,307	13,011	12,834	177
Other expenses and Financing	9	12,026	0	12,026	6,013	4,129	1,884
Total Operating Expenditure		163,939	978	164,917	83,488	74,612	8,876
Net Operating Balance		21,385	(978)	20,407	10,808	23,625	12,817

Summary of the Financial Position of the General Government

General Government's Financial Position at 31 December 2018 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 December 2018

	Notes	September 2018/19 ('000)	December 2018/19 ('000)	Change Sept-18 ('000)
Current Assets				
Cash and Tern Deposits	1	149,814	164,141	14,327
Debtors and Other Receivables		7,893	18,659	10,766
Tax Receivables		10,451	10,451	0
Inventory		2,710	2,882	172
Advances to SOEs		27,643	27,269	(374)
Non Current Assets				
Fixed Assets		109,182	113,756	4,574
Total Assets		307,693	337,158	29,465
Current Liabilities				
Creditors and Other Payables		20,042	14,091	(5,951)
Trust Liabilities		22,696	34,453	11,757
Non Current Liabilites				
Foreign Borrowings	10	98,907	98,942	35
Total Liabilites		141,645	147,486	5,841
Net Assets		166,047	189,672	23,625
General Government Balance		166,047	189,672	23,625

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 December 2018 were \$82.47 million, an increase of \$1.80 million from September 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 consists of the operational bank accounts and Investment accounts of the General Government including Ministries and Outer Islands Administrations (SOE excluded). See **Table 5** below for detail;

Table 5 - General Government Cash Reserves as at 31 December 2018

	September 2018/19 ('000)	December 2018/19 ('000)	Change Sept-18 ('000)
Operational Bank Accounts	16,835	17,276	441
Term Deposits Accounts	132,979	146,865	13,886
Cash and Term Deposits	149,814	164,141	14,327
Less 2018/2019 Budget Shortfall ¹	2,261	2,261	0
Total Cash and Term Deposits	147,553	161,880	14,327
Committed:			
Reserve Trust Fund ²	3,652	3,652	0
Disaster Response Fund ³	1,772	1,772	0
Loan Repayment Fund ⁴	20,922	26,572	5,650
Trust Account Deposits ⁵	22,379	22,071	(308)
Carry Forward Contingency - Opex ⁶	0	0	0
Carry Forward Contingency - Capital ⁷	770	0	(770)
Aid Trust Fund ⁸	17,389	25,344	7,955
Total Commitment for this year	66,884	79,411	12,527
Estimated General Cash Reserve	80,669	82,469	1,800

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

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

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

⁴ Loan Repayment Fund – legislated funds quarantined for debt servicing requirements

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

⁶ Carry Forward Contingency – funds tagged for approved carry forwards of operating expenditure

⁷ Carry Forward Contingency – funds tagged for approved carry forwards of capital

⁸ Aid Trust Fund – funds tagged for aid funded projects and programmes.

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 6 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 6 - Loan Repayment Fund (LRF) Statement

	December 2018/19 (‘000)
Opening LRF Balance	21,278
Contribution to LRF Principal	6,995
Contribution to LRF Interest	2,367
Total Transfer into LRF by General Government	9,362
Interest earned by LRF	426
Total Inflows	9,788
Principal paid out of LRF	3,349
Interest paid out of LRF	1,100
Service Fees	45
Total Outflows	4,494
Closing LRF Balance	26,572

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 7 - 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 December 18 Quarter	2,202
Total Balance	1,832

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
Total as at 31 December 2018	2,202

\$2.20 million out of the \$4.03 million allocation was utilised for the quarter 31 December 2018.

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 8 - 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 2 ('000)	2018/19 Actual - Qtr 2 ('000)	Variance ('000)	%
Value-added Tax	68,124	0	68,124	36,513	38,796	2,283	6
Income Tax	28,866	0	28,866	15,671	13,753	(1,918)	(12)
Company Tax	23,190	0	23,190	12,302	11,519	(783)	(6)
Import Levies	14,159	0	14,159	6,835	7,590	756	11
Withholding Tax	2,508	0	2,508	1,254	549	(705)	(56)
Departure Tax	11,307	0	11,307	5,945	6,726	780	13
Total Taxation Revenue	148,153	0	148,153	78,519	78,933	414	0
Trading Revenue	6,818	0	6,818	1,980	2,443	463	23
Core Sector Support	7,730	0	7,730	3,865	3,865	0	0
Other Revenue	22,622	0	22,622	9,932	12,995	3,064	31
Total Revenue	185,324	0	185,324	94,296	98,237	3,941	4

General Government sector revenue for the period was higher than Budget estimates by \$3.94 million.

Note 2: Taxation Revenue

Value Added Tax

Value Added Tax (VAT) revenue collected for the period was \$2.28 million above Budget estimate (6 per cent).

Income Tax

Income Tax revenue collected for the period was \$1.91 million below Budget estimate (12 per cent). This was attributed to overdue payment plans by taxpayers.

Company Tax

Company Tax collected was also \$0.78 million below Budget estimate (6 per cent). The variance was also attributed to overdue payment plans from companies.

Import Levies

Import levies collected was \$0.76 million above Budget (11 per cent).

Withholding Tax

Withholding tax was \$0.70 million (56 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 \$0.78 million above Budget estimate (13 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 10** 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 8** for total recorded for the period.

Note 5: Other Revenue

Other Revenues are other domestically sourced Government revenues collected by a few Ministries. Total collected for the period was \$12.99 million. See **Table 9** below for detail.

Table 9 - 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 2 (‘000)	2018/19 Actual - Qtr 2 (‘000)	Variance (‘000)	%
FSC Fees	143	0	143	72	40	(32)	(44)
Immigration Fees	860	0	860	430	530	100	24
IMO	66	0	66	33	0	(33)	(100)
Subscri							
Court Services	50	0	50	25	17	(8)	(31)
Instant Fines	80	0	80	40	24	(16)	(40)
Fishing Licences	6,305	0	6,305	3,153	5,621	2,468	78
Fisheries US Treaties	4,505	0	4,505	2,253	1,938	(315)	(14)

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 2 ('000)	2018/19 Actual - Qtr 2 ('000)	Variance ('000) %	
Fishing Fines	2,500	0	2,500	0	0	0	0
Research Fees	2	0	2	1	0	(0)	(44)
Permits	24	0	24	12	7	(5)	(44)
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	575	575	0	0
Numismatic Revenue	400	0	400	200	93	(107)	(54)
Drivers Licenses	200	0	200	100	150	50	50
Motor Vehicle Registrations	875	0	875	175	123	(52)	(9)
Interest on balances	2,050	0	2,050	1,501	1,501	0	0
Interest on loans to subsidiaries	830	0	830	415	380	(35)	0
Foreign Investment Fees	27	0	27	14	8	(6)	(43)
Upper Air Management Agreement	746	0	746	373	621	248	67
Shipping Reg/Licenses	268	0	268	134	243	109	81
Intl Shipping Licenses	10	0	10	5	1	(4)	(75)
Liquor Licensing	70	0	70	35	7	(28)	(80)
Tattslotto Grants	120	0	120	60	91	31	51
Censorship Fees	4	0	4	2	1	(1)	(55)
Circulating Currency- Coins	650	0	650	325	370	45	14
Employers Liability	75	0	75	0	0	0	0
Motor Vehicle Dealers	3	0	3	2	1	(0)	(33)
Gain on Forex	0	0	0	0	646	646	100
Other Misc Revenue	0	0	0	0	(0)	(0)	100
Total Other Revenue	22,622	0	22,622	9,932	12,986	3,054	31

Other Crown Revenue was \$3.05 million above Budget estimate (31 per cent).

This was primarily due to higher than expected Fishing Licenses collected (\$2.47 million), higher Gain on foreign exchange (\$0.65 million), higher Upper Air Management Revenue (\$0.25 million) and higher Shipping Licenses fees received (\$0.11 million). Offsetting these were lower than Budget Estimates in Numismatic Revenues (\$0.11 million) and Fishing US Treaties (\$0.31 million).

Fishing Licenses

The \$2.47 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 probably makes up for \$0.35 million of the \$2.47 million variance.

Dividends

Dividends are collectable at the end of the financial year apart from Bluesky dividends who pay dividend on a quarterly basis. The last quarter received for Bluesky dividends was for April - June 2018 quarter. \$0.57 million has been accrued to account for the 2 quarters ending 31 December 2018.

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 \$36.44 million. This is \$1.68 million below the Budget Estimates. See Table 10 for detail.

Table 10 - Ministries, Agencies, Ministerial Offices and Pa Enea Operations Summary

2017/18 Actuals - Qtr 2 ('000)	2018/19 Budget Estimate - Full Year ('000)	2018/19 Additional Funding Approval ('000)	2018/19 Total Budget & Approval ('000)	2018/19 Budget Estimate - Qtr 2 ('000)	2018/19 Actual - Qtr 2 ('000)	Variance ('000) %	
Operating Revenue							
2,427 Trading Revenue	6,818	0	6,818	1,980	2,443	463	57
2,427 Total Trading Revenue	6,818	0	6,818	1,980	2,443	463	57
Operating Expenditure							
24,664 Personnel	56,163	0	56,163	26,266	25,634	632	(6)
7,516 Operating	20,933	0	20,933	9,469	8,019	1,450	14
2,655 Depreciation	5,208	0	5,208	2,378	2,784	(406)	(112)
34,835 Gross Appropriation	82,304	0	82,304	38,113	36,437	1,676	(104)
32,408 Net Appropriation	75,486	0	75,486	36,133	33,994	1,213	(161)

Trading Revenue

Trading Revenue for period ended December 2018 was \$0.46 million (57 per cent) above Budget estimate. Of the \$0.46 million, Ministries, Agencies and Support Offices contributed \$0.30 million and Pa Enea Administrations \$0.16 million. Of the 14 Ministries with trading revenue, four did not meet their proposed revenue target whereas 10 exceeded their budget. Majority of the exceeded revenue was from MFEM's Overtime Recoveries. Ministry of Culture also contributed from ticket sales during Te Maeva Nui. Revenue targets to Budget estimates are expected to align later in the financial year. All the islands have exceeded their trading revenue with Mangaia Island Administrations the highest, due to increase in aggregate sales and machinery hireage.

Personnel

Personnel Expenditure for period ended December 2018 was \$0.63 million lower than Budget estimate (6 per cent). Ministries, Agencies and Support Offices personnel expenditures was below Budget Estimates by \$0.91 million. This was offsetted by \$0.27 million above Budget estimates for Pa Enea Administrations. Unfilled positions, mainly from the Ministry of Health, contributed to the savings for Ministries. 5 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 December 2018 was lower than Budget estimate by \$1.45 million (14 per cent). The first three months of the financial year 2018/19 prescribed greater control of operating expenditure due to the delayed tabling of the Appropriation Bill as a result of the 2018 general election.

Depreciation

Depreciation expenditure was above Budget estimate by \$0.41 million (112 per cent). Ministries and Support Office was below Budget Estimates by \$0.16 million, offsetted by the Pa Enea Administrations over the Budget Estimates of \$0.56 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 11 - 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 2 (‘000)	2018/19 Actual - Qtr 2 (‘000)	Variance (‘000)	%
Administered Payments	44,482	798	45,280	26,351	21,211	5,140	20
Payment of Behalf of Crown (POBOCs)	25,127	180	25,307	13,011	12,834	177	1
Total	69,609	978	70,587	39,362	34,046	5,316	14

Note 7: Administered Payments

Administered payments were below Budget estimates by \$5.14 million (20 per cent) and mainly attributed to;

- Compensation of employees was \$0.78 million (36 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 (23 per cent) against Budget estimates with Provision for Land Rental, Land Rent Review, Road Maintenance and Road Asset Management attributed to this saving.
- Subsidies exceeded Budget estimates by \$0.21 million. The excess is mainly from Air New Zealand Subsidies of \$0.46 million. Offsetting this was \$0.21 savings on Provisions for Inter Islands Shipping.
- Other expenses were also below Budget estimates by \$1.56 million (47 per cent) due to the delay in the establishment of a water utility for Rarotonga, Marumaruatua, followed by saving in the production of new currency, transportation and sale of old coins' expenditure.
- Social Assistance was \$0.18 million (9 per cent) below Budget estimates with savings under Government Funded Scholarship and Legal Aid.

Table 12 - Administered Payments

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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Compensation of Employees								
Cook Islands Investment Corporation	Infrastructure Committee	75	0	75	38	19	18	48
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	210	161	49	23
National Environment Service	National Heritage Trust	82	0	82	41	35	6	15
Finance and Economic Management	Public Sector Strengthening-processes and systems MFEM	345	409	754	377	0	377	100
Finance and Economic Management	Post Tax Amensty Work	500	0	500	250	5	245	98
Finance and Economic Management	Director of Civil Aviation	56	0	56	28	0	28	100
Internal Affairs	Price Tribunal	45	0	45	23	18	4	19
Justice	Project to bring land records up to date	120	0	120	71	71	0	0
Justice	Judges Allowances	177	0	177	100	100	0	0
Public Service Comission	HOM's Salaries	1,373	0	1,373	712	712	0	0
Cook Islands Investment Corporation	School Security	250	0	250	125	112	13	11
Education	Centre of Research and Policy Studies	80	0	80	40	0	40	100
Total Compensation of Employees		3,653	409	4,062	2,141	1,360	780	36

Table 12 - Administered Payments Contn'd

Administering Ministry	Administered Payment	2018/19 Budget Estimate - Full Year ('000)	2018/19 Additional Funding Approval ('000)	2018/19 Total Budget & Approval ('000)	2018/19 Budget Estimate - Qtr 2 ('000)	2018/19 Actual - Qtr 2 ('000)	Variance ('000)	%
Use of Goods and Services								
Cultural Development	Te Maeva Nui Constitution Celebrations	3,694	0	3,694	3,694	3,327	367	10
Cook Islands Investment Corporation	Provision for Land Rentals	1,962	0	1,962	981	0	981	100
Cook Islands Investment Corporation	Land Rent Reviews #	642	0	642	321	0	321	100
Education	Tertiary Training Institutions	760	0	760	380	426	(46)	(12)
Education	Centre of Excellence in Information Technology (CEIT)	150	0	150	75	0	75	100
Finance and Economic Management	Audit of Crown Accounts	30	0	30	15	0	15	100
Finance and Economic Management	Border Management System Maintenance	155	0	155	78	0	78	100
Finance and Economic Management	Standard and Poors Subscription	55	0	55	28	0	28	100
Finance and Economic Management	Special Investigative and Prosecution Services	200	0	200	100	9	91	91
Finance and Economic Management	Debt Advisory Services	60	0	60	30	15	15	50
Crown Law	Arbitration Case	1,159	0	1,159	670	670	0	0
Foreign Affairs	Cook Islands Student Association Support	5	0	5	3	0	3	100

Table 12 - 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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Use of Goods and Services								
Head Of State	Domestic Hosting Entertainment	15	0	15	8	7	0	4
Head Of State	QR Social Responsibility Fund	8	0	8	5	5	0	0
Health	Pharmaceuticals	868	100	968	631	631	0	0
Infrastructure Cook Islands	Outer Islands Equipment Repairs of Unanticipated Breakdowns	200	0	200	100	96	4	4
Infrastructure Cook Islands	Waste Management	545	0	545	273	124	149	55
Infrastructure Cook Islands	Water Maintenance	500	0	500	250	184	66	26
Infrastructure Cook Islands	Road Maintenance	630	0	630	315	147	168	53
Infrastructure Cook Islands	Road Asset Management	650	0	650	325	0	325	100
Infrastructure Cook Islands	Bridges and Drainage Maintenance	600	0	600	600	600	0	0
Internal Affairs	Lease extension	72	0	72	36	30	6	16
Internal Affairs	Vaka Maintenance	400	0	400	200	199	1	1
Parliamentary Services	Pacific Legislatures for Population and Governance (PLPG)	52	0	52	42	42	0	0
Parliamentary Services	Special Select Committee #	10	0	10	5	0	5	100
Cultural Development	Te Kopapa Reo Maori Board	15	0	15	8	0	7	100

Table 12 - 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 2	2018/19 Actual - Qtr 2	Variance		
		('000)	('000)	('000)	('000)	('000)	('000)		%
Use of Goods and Services									
Prime Minister's Office	Social Responsibility Fund	243	0	243	243	243	0	0	
Police	Search and Rescue	20	0	20	10	0	10	100	
Police	Serious Crime Investigations	50	0	50	25	11	14	55	
Police	Te Kukupa - Biannual Slipping	150	0	150	75	0	75	100	
Police	Te Kukupa - Fuel Contribution	140	0	140	70	26	44	63	
Police	Youth Program	45	0	45	23	0	23	100	
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,072	0	5,072	2,746	2,746	0	0	
Foreign Affairs	Returned Services Association	5	0	5	3	0	3	100	
Prime Minister's Office	Community Support Fund	100	0	100	50	51	(1)	(2)	
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	
Total Use of Goods and Services		19,329	115	19,444	12,484	9,655	2,829	23	
Subsidies									
Education	University of the South Pacific Contribution	205	0	205	138	138	0	0	

Table 12 - 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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Subsidies								
Finance and Economic Management	Air New Zealand - Subsidies	12,000	0	12,000	6,000	6,467	(467)	(8)
Finance and Economic Management	Provision for Inter Island Shipping	500	0	500	250	37	213	85
Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Enua	45	0	45	23	0	23	100
Finance and Economic Management	Asian Infrastructure Investment Bank (AIIB) membership	31	0	31	15	0	15	100
Total Subsidies		12,781	0	12,781	6,425	6,641	(216)	(3)
Social Assistance								
Education	Government Funded Scholarships	660	0	660	330	163	167	51
Health	Patient Referrals	550	274	824	496	496	0	0
Health	Nursing School	234	0	234	168	168	0	0
Health	NCD Fund	195	0	195	151	151	0	0
Internal Affairs	Welfare Payments - Allowances	983	0	983	842	842	0	0
Justice	Legal Aid	40	0	40	20	0	20	100
Total Social Assistance	Total Social Assistance	2,663	274	2,937	2,008	1,820	187	9

Table 12 - 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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Other Expense								
Cook Islands Investment Corporation	Establishment and implementation of a water utility for Rarotonga	1,400	0	1,400	700	0	700	100
Education	Private School Funding	2,230	0	2,230	1,381	1,381	0	0
Marine Resources	Fisheries Development Facility	200	0	200	100	79	21	21
Marine Resources	Fisheries Development Facility in the Pa Enua	100	0	100	50	24	26	51
Internal Affairs	CISNOC Grant	520	0	520	260	220	40	15
Internal Affairs	SIF - Cook Islands Government Contribution	881	0	881	441	0	441	100
Finance and Economic Management	Conduct of a Labour Force Survey	100	0	100	50	0	50	100
Finance and Economic Management	Production of new currency, transportation and sale of old coins	350	0	350	175	31	144	82
Finance and Economic Management	Marumaruatua	275	0	275	138	0	138	100
Other Expenses	Total Other Expenses	6,056	0	6,056	3,294	1,735	1,559	47
Grand Total	Grand Total	44,482	798	45,280	26,351	21,211	5,140	20

Note 8: Payments On Behalf of Crown (POBOC)

The overall saving in POBOC expenditure was in line with Budget estimates with \$0.18 million (1 per cent) above. This was mainly attributed to the saving in:

- Compensation of Employees (below \$0.03million) from House of Ariki.
- Use of Good and Services (below \$0.14 million) from Audit fees and Civil List Constituency visits.
- Subsidies (below \$0.26 million) from TAU social assistance subsidies and BCI social assistance subsidies.
- Other expenses (below \$0.19 million) due to lower spending on international subscriptions and Cook Island Government insurance.

Offsetting these savings was higher expenditure on Social Assistance (\$0.44 million) due to greater welfare payments of old age pensions and child benefits.

Table 13 - 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 2 ('000)	2018/19 Actual - Qtr 2 ('000)	Variance ('000)	%
Compensation of Employees								
Finance and Economic Management	Parliamentary Superannuation	180	0	180	163	163	0	0
Audit (PERCA)	PERC Salaries and Administration Costs	43	0	43	21	19	2	10
Parliamentary Services	Civil List - Personnel	2,268	0	2,268	1,134	1,231	(97)	(9)
Parliamentary Services	House of Ariki	228	0	228	230	106	124	54
Total Compensation of Employees		2,719	0	2,719	1,549	1,520	29	2
Use of Goods and Services								
Audit (PERCA)	Audit Fees	96	0	96	48	0	48	100
Parliamentary Services	Civil List - Constituency Visits	170	0	170	85	27	58	69
Parliamentary Services	Parliamentary Sitting Expenses	120	0	120	96	96	0	0

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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Use of Goods and Services								
Parliamentary Services	MP Travel and Allowances (local and overseas)	141	180	321	188	188	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	32	0	32	100
Total Use of Goods and Services		699	180	879	547	410	138	25
Subsidies								
Cook Islands Investment Corporation	BCI - social assistance subsidy	120	0	120	60	0	60	100
Cook Islands Investment Corporation	Airport Authority subsidy	2,048	0	2,048	1,024	1,045	(21)	(2)
Cook Islands Investment Corporation	Ports Authority - subsidy	110	0	110	55	28	28	50
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380	0	380	190	0	190	100
Total Subsidies		2,658	0	2,658	1,329	1,073	256	19
Social Assistance								
Internal Affairs	Welfare Payments	18,157	0	18,157	9,078	9,518	(440)	(5)
Total Social Assistance		18,157	0	18,157	9,078	9,518	(440)	(5)
Other Expense								
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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Finance and Economic Management	CIG Insurance	100	0	100	50	38	12	23
Foreign Affairs	International Subscriptions	674	0	674	337	122	215	64
Expenses		894	0	894	508	314	194	38
Grand Total		25,127	180	25,307	13,011	12,834	177	1

Note 9: Other General Government Government Operating

Other operating spending for the General Government sector were 31 per cent below Budget estimates. Foreign exchanges movements, contingency funds and debt interest expenditure attributed to this variance for the quarter.

Table 14 - Other General Government Operating

2017/18 Actual Qtr 2	Category of Expense	2018/19 Budget Estimate - Full Year	2018/19 Additional Funding Approval	2018/19 Total Budget & Approval	2018/19 Budget Estimate - Qtr 2	2018/19 Actual - Qtr 2	Variance	
('000)		('000)	('000)	('000)	('000)	('000)	('000)	%
84	Contingency Funds - Operating	200	0	200	100	176	(76)	(76)
2,301	Crown Infrastructure Depreciation	4,603	0	4,603	2,301	1,151	1,150	50
25	Transfer to Emergency Response Trust Fund	50	0	50	25	13	12	48
296	Transfer to Reserve Trust Fund	741	0	741	370	185	185	50
223	Depreciation Contingency Reserve	4,066	0	4,066	2,033	0	2,033	100
1,494	Debt Servicing Interest	2,367	0	2,367	1,184	1,100	84	7
2,632	Foreign Exchange (Gain)/Loss	0	0	0	0	1,505	(1,505)	(100)
3	Other	0	0	0	0	0	0	0
7,058	Total Other Expenses	12,026	0	12,026	6,013	4,129	1,884	31

Capital Expenditure

Capital Expenditure was well below expectations by \$4.90 million (30 per cent) due mainly to timing of spending related to a number of projects especially projects allocated to Cook Islands Investment Corporations.

Table 15 - Capital Expenditure

Ministry/ Island	PROJECT/PROGRAMME	2018/19 Budget Estimate - Full Year (‘000)	2018/19 Additional Funding Approval (‘000)	2018/19 Total Budget & Approval (‘000)	2018/19 Budget Estimate - Qtr 2 (‘000)	2018/19 Actual - Qtr 2 (‘000)	Variance	
							(‘000)	%
Agricultures								
Rarotonga	Vanilla Shade House	30	0	30	19	19	0	0
		30	0	30	19	19	0	0
Cook Islands Investment Corporations								
Rarotonga	Nukutere Rebuild	530	0	530	0	0	0	0
Rarotonga	Vaikapurangi Government Building - design	130	0	130	0	0	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	0	0	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
		2,481	0	2,481	0	0	0	0
Education								
National	Fund to be Prioritised by Education	110	0	110	110	99	11	10
		110	0	110	110	99	11	10
Health								
National	Fund to be Prioritised for Technical Equipment	275	0	275	138	108	30	21
Rarotonga	Medical Service Bed End Panels	78	0	78	17	17	0	0

Table 15 - 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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Health								
Rarotonga	Hospital Incinerator	217	0	217	37	37	0	0
Rarotonga	Ambulance	148	0	148	74	0	74	100
		718	0	718	265	162	104	39
Internal Affairs								
Rarotonga	Vaka Maintenance Capital Projects	50	0	50	0	0	0	0
		50	0	50	0	0	0	0
Ministry of Economic and Financial Management								
Rarotonga	FMIS purchase and implementation	644	0	644	122	122	0	0
Rarotonga	AEOI IT System	122	0	122	61	27	34	55
Rarotonga	Water & Sanitation Programme (WASP)	250	0	250	125	52	73	58
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	23,750	0	23,750	11,875	7,320	4,555	38
		24,766	0	24,766	12,183	7,522	4,661	38
Infrastructure Cook Islands								
Atiu	Atiu Road Improvement	250	705	955	164	164	0	0
Autitaki	Aitutaki road Improvement Programme	226	0	226	178	178	0	0
National	Bitumen Truck	0	14	14	14	14	0	0
Rarotonga	Bridges & Drainage	1,299	0	1,299	48	48	0	0
Rarotonga	Muri Road Widening	288	0	288	8	8	0	0
Various	Cyclone Centre Program	1,050	0	1,050	512	512	0	0
Rarotonga	Avatiu Valley Stream embankment	394	0	394	0	0	0	0
Rarotonga	Road Asset Management	2,000	0	2,000	213	213	0	0
Mangaia	Mangaia Road Sealing	0	138	138	47	47	0	0
Mangaia, Atiu, Mauke	HV Transport Trailer	0	14	14	9	9	0	0
Mangaia	Tamarua Water Project	134	81	215	134	134	0	0
Manihiki	Airport Terminal - construction	0	16	16	13	13	0	0

Table 15 - 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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
Infrastructure Cook Islands								
Manihiki	Tukao Passage Widening	141	0	141	2	2	0	0
Mitiaro	Water Upgrade	382	0	382	120	120	0	0
Penrhyn	Omoka Harbour Upgrade	250	0	250	85	85	0	0
Pukapuka	Upgrade of Airport terminal buildings	14	46	60	32	32	0	0
Rarotonga	Tereora Drainage Improvement	117	0	117	0	0	0	0
Aitutaki	Establishing new water galleries	418	0	418	73	73	0	0
Rarotonga	Culvert	600	0	600	5	5	0	0
Rarotonga	Apii Nikao School access road	0	100	100	8	8	0	0
Rarotonga	Sheraton Foreshore Project	0	239	239	0	0	0	0
		7,562	1,353	8,916	1,665	1,665	0	0
Office of the Prime Ministers								
Atiu	Atiu Power Distribution	0	580	580	325	325	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	38	38	0	0
National	Renewable Management Project Management and Support	250	0	250	125	34	91	73
National	Manatua Polynesian Cable (Loan Component)	2,000	0	2,000	0	0	0	0
Mangaia	Mangaia Bus	0	87	87	0	0	0	0
		7,928	667	8,595	1,633	1,541	91	6
Administered by MFEM								
National	Capital Distribution Fund	763	595	1,358	367	367	0	0
Pa Enea	Outer Islands Small Capital Fund	110	0	110	55	16	39	70
	Aitutaki	16	0	16	8	0	8	0
	Atiu	12	0	12	6	0	6	0
	Mangaia	12	0	12	6	6	0	2
	Manihiki	10	0	10	5	0	5	0
	Mauke	10	0	10	5	0	5	0
	Mitiaro	8	0	8	4	0	4	0

Table 15 - 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 2	2018/19 Actual - Qtr 2	Variance	
		('000)	('000)	('000)	('000)	('000)	('000)	%
	Palmerston	10	0	10	5	0	5	0
	Penrhyn	12	0	12	6	3	3	0
	Pukapuka-Nassau	12	0	12	6	3	3	44
	Rakahanga	8	0	8	4	4	0	0
		873	595	1,468	422	383	39	9
	GRAND TOTAL	44,519	2,615	47,134	16,298	11,391	4,906	30

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

Tender process still in process and will be awarded in the early days on the third quarter of the financial year.

Tereora College Rebuild Stage 1

Funds to be fully utilised by June 2019 as a resulting of project phasing.

Vaikapuangi Government Building

On-going consultations on confirmed project direction causing delays in project start.

China Building Repairs

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

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.

TMV Stage 1 - Road Pipeline Easement 7/ State 2 Land Acquisition for Water Intakes

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 below Budget estimates by (\$4.56 million) 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.

Tereora Drainage Improvement

Tereora Drainage project is in progress with survey and design stage 40 per cent completed.

Crown Gross Debt

Note 10 : Foreign Borrowings

The total gross debt (Foreign Borrowings) by the Crown at the end of the quarter 31 December 2018 was \$98.94 million, an increase of \$0.03 million from the September 2018 quarter (**Table 17**).

This increase was a result of the drawdowns of \$1.38 million related to the Renewable Energy Project, offsetting this was principal repayments of \$1.09 million and a favourable movement in exchange rates of \$0.26 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 December 2018 was \$51.12 million, a \$5.23 million net decrease from the September 2018 quarter.

Table 16 - Capital Expenditure

Foreign Exchange Currency	30-Sep-18	30-Dec-18	Change to December 18
EUR	0.5736	0.5812	0.0076
USD	0.6696	0.6702	0.0006
CNY	4.5838	4.6144	0.0306
SDR	0.4710	0.4825	0.0115

Figure 2

Composition of Crown Debt by Foreign Currency

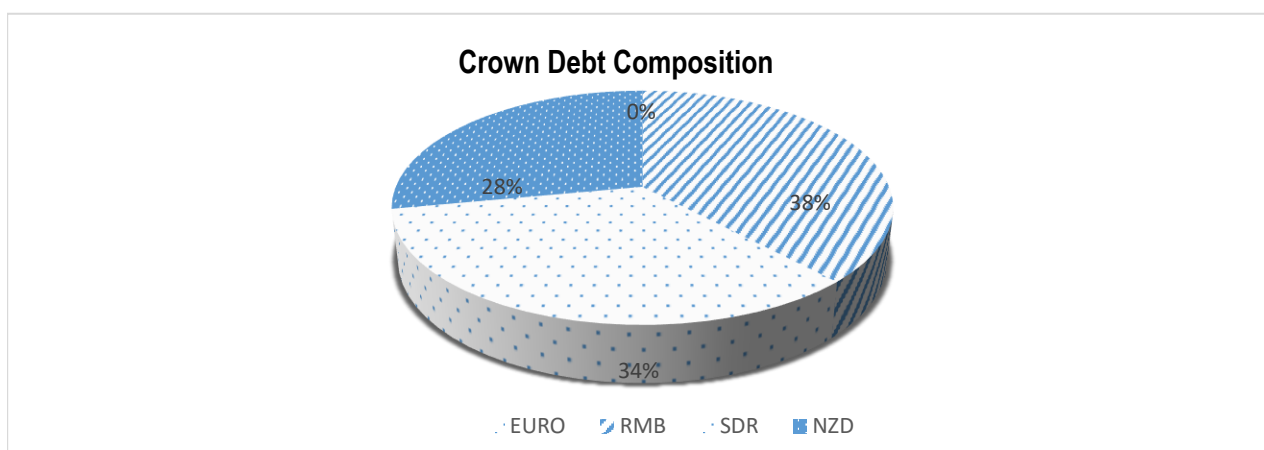


Table 17 - Crown Debt

Loan Discription	Source (Currency)	Loan in Orginal Currency ('000)	Loan Start Date	Loan End Date	Sept 2018 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments('000)	Dec 2018 Balance ('000)	Change Sept 18 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	271	(271)	0	0	0	(271)
China - Multi-Functional Indoor Sports Stadium Loan	CNY	67,260	Aug-08	Aug-28	9,467	0	(63)	0	9,404	(63)
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	24,850	0	(165)	0	24,685	(165)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	220	0	0	0	220	0
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	324	(43)	3	0	284	(40)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	1,513	0	(1)	0	1,512	(1)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	3,855	0	(3)	0	3,852	(3)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,027	(37)	(2)	0	988	(39)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	355	(13)	0	0	342	(13)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	396	0	0	0	396	0
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,420	0	(2)	0	2,418	(2)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,078	0	(2)	0	2,076	(2)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,745	0	(4)	0	4,741	(4)
	SDR	1,895	Jun-05	Jun-45	831	0	(1)	0	830	(1)
ADB 1588 Cyclone Emergency Rehab Loan										
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,078	(68)	(3)	0	2,007	(71)
		1,895	Jun-05	Jun-45	3,505	(37)	(4)	0	3,464	(41)
ADB 2174 Cyclone Emergency Assist Loan	SDR									
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,140	(129)	0	0	9,011	(129)
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	7,419	(189)	(14)	0	7,216	(203)

Table 17 - Crown Debt Contn'd

Loan Discription	Source (Currency)	Loan in Orginal Currency ('000)	Loan Start Date	Loan End Date	Sept 2018 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments('000)	Dec 2018 Balance ('000)	Change Sept 18 Qtr ('000)
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,079	(56)	0	0	5,023	(56)
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	5,438	0	0	0	5,438	0
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	6,029	0	0	0	6,029	0
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	7,867	(243)	0	1,383	9,007	1,140
Total Gross Borrowings					98,907	(1,086)	(262)	1,383	98,942	35
<i>Less Loan Repayment Fund</i>					20,922	0	0	5,650	26,572	5,650
Net Borrowing by the Crown					77,985	(1,086)	(262)	(4,267)	72,370	(5,615)
<i>Less Avatiu Port Development</i>					21,638	(374)	(14)	0	21,250	(388)
Net Borrowing by the General Government					56,347	(712)	(248)	(4,267)	51,120	(5,227)

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 to December 2018. ODA estimated spend to date is reported at \$10.73 million representing a 17.5% 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 18 - 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 2 ('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
India Grant Fund	India	MULTI	105	105	(0)
Pacific Parliamentary Development Project	UNDP	PARLIAMENT	76	0	76
Disaster Resilience for Small Pacific Islands (RESPAC Cook Islands)	UNDP		152	53	99
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	499	541
Economic Social Development Programme 2018-Japanese Machinery and Equipment	Japan		2,000	0	2,000
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	2,722	7,278
Aid Effectiveness	Other		100	53	47

Table 18 -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 2 ('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	506	3,856
TRAC Funds	UNDP		94	0	94
Cook Islands Core Sector Support	New Zealand		7,700	1,115	6,585
New Zealand Triennium Fund	New Zealand		9,026	0	9,026
Sustainable Fisheries Partnership Agreement	European Union	MMR	486	192	294
NZ Volunteer Services Aboard	New Zealand		160	0	160
Japan Trust Fund	Japan		87	32	55
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	63	142
Small Health Grants	Multilateral Fund		50	15	35
Western Pacific Multi-country Integrated HIV/TB programme - UNDP	UNDP		56	24	32
Ridge to Reef	Global Environment Facility	NES	1,084	548	536
Strengthening the Implementation of the Nagoya Protocol on Access to Genetic Resources and Benefit Sharing in the Cook Islands	Global Environment Facility	NES	282	191	91

Table 18 -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 2 ('000)	Variance ('000)
E-Government TA Support	Asian Development Bank	MFEM	1	13	(12)
Renewable Energy Grant (Southern Group)	European Union	MFEM	1,529	272	1,257
Renewable Energy Grant (Southern Group)	Global Environment Facility		1,062	109	953
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	20	370
Green Climate Fund Readiness	Green Climate Fund	MULTI	360	123	237
Pa Enua Action for Resilient Livelihoods (PEARL)	UN Adaptation Fund	OPM	1,500	32	1,468
Northern Water Project Phase 2	EU-German Development Cooperation		206	289	(83)
GEF Small Grants Programme	Global Environment Facility	CI RED CROSS	384	0	384
Total			61,184	10,731	50,454

Official Development Assistance (ODA)**Manatua Cable**

Total spend for the period is \$2.7 million. As of October 2018 the 4 Consortium members (Avaroa Cables Limited (ACL) – Cook Islands, Office des Postes et Telecommunications de Polynesie 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 formal signing ceremony was organised in Auckland New Zealand on the 09 November 2018 which reaffirmed each of consortium countries and their respective government's solidarity in the Manatua Cable Consortium and commitment to the Manatua Cable Project. 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.

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

Total spend for the period is \$1.1 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.

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 nil. 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. Focus during this reporting period was to, firm up the priority item list, complete technical specifications for at least one priority item to go to tender before the end of December 2018, and submit a final priority item list including a budget to JICS.

Renewable Energy Grant - Battery Storage

Total spend for the period is nil. 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 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. Works is anticipated to commence in January 2019.

The Power Station (LOT1) contract is yet to be awarded. An update will be provided in the next reporting period.

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 December 2018 performances of Cook Islands Investment Corporation (CIIC), Airport Authority, Bank of the Cook Islands, Ports Authority and Te Aponga Uira (TAU).

Table 19 - State Owned Enterprises (SOEs) Operations

	Budget 2018/19- Qtr 2 ('000)	Actuals 2018/19- Qtr 2 ('000)	Variance ('000)	%
Trading Revenue	(27,421)	(27,217)	204	-1%
Personnel	6,153	5,642	511	8%
Operating	14,551	12,957	1,594	11%
Depreciation	3,852	3,691	161	4%
Net Activity Cost (Surplus)	(2,866)	(4,927)	(2,062)	72%

The consolidated group reported a surplus of \$4.93 million, \$2.06 million (72 per cent) ahead of Budget estimates for 31 December 2018. 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.