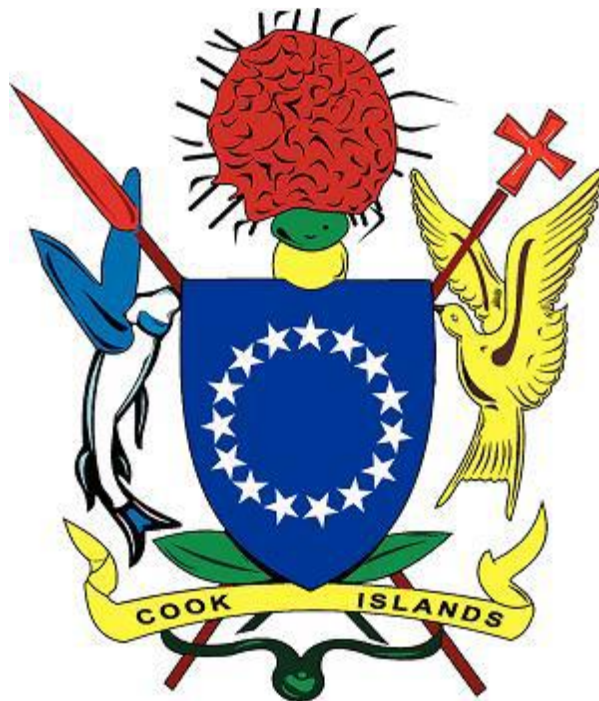

COOK ISLANDS GOVERNMENT

2021/22

**Pre-election Economic
and Fiscal Update**



Government of the Cook Islands

27 June 2022

Abbreviations and Acronyms

Term	Definition
ACL	Avaroa Cable Limited
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
BCCF	Business Continuity Credit Facility (Economic Response Plan)
CF	Carry Forward
COFOG	Classification of Functions of Government
COVID-19	Coronavirus Disease 2019
CPRO Loan	COVID-19 Pandemic Response Option Loan (Economic Response Plan)
CPI	Consumer Price Index
CSS	Core Sector Support
EDS	Economic Development Strategy
EEZ	Exclusive Economic Zone
EO	Executive Order
ERP	Economic Response Plan
ERR	Economic Recovery Roadmap
GDP	Gross Domestic Product
GFA	Grant Funding Agreement
GFS	Government Financial Statistics
HYEFU	Half Year Economic and Fiscal Update
IMF	International Monetary Fund
LRF	Loan Reserve Fund
MTEC	Medium-term Expenditure Ceiling
MTFF	Medium-term Fiscal Framework
MTFS	Medium-term Fiscal Strategy
NIIP	National Infrastructure Investment Plan 2021-2030
NSDA	National Sustainable Development Agenda 2020+
NSDP	National Sustainable Development Plan
NZD	New Zealand Dollars
ODA	Official Development Assistance
PFTAC	Pacific Financial Technical Assistance Centre (IMF)
POBOC	Payments on Behalf of Crown
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
ROBOC	Revenue on Behalf of Crown
SOE	State Owned Enterprise
USD	United States Dollars

All figures presented in this report are in New Zealand Dollars (\$) unless otherwise specified.

Disclaimer

Estimates of future expenditure and performance are based on information known at the time of preparation of this report.

Table of Contents

1	Introduction	10
1.1	OVERVIEW	10
1.2	ECONOMIC PERFORMANCE AND OUTLOOK.....	11
1.3	FISCAL PERFORMANCE AND OUTLOOK	11
2	Fiscal Update	14
2.1	FISCAL INDICATORS AND PROJECTIONS.....	14
2.2	FISCAL RULES.....	16
2.3	MOVEMENTS SINCE THE 2021/22 HYEFU.....	16
2.4	ASSUMPTIONS UNDERLYING THE ECONOMIC AND FISCAL PROJECTIONS.....	21
2.5	FISCAL RISKS.....	22
3	Government Financial Statistics Operating Statement	29
3.1	GFS NET OPERATING BALANCE.....	30
3.2	GFS NON-OPERATING ITEMS	33
3.3	CLASSIFICATION OF FUNCTIONS OF GOVERNMENT	34
4	Economic Update	37
4.1	OVERVIEW	37
4.2	COOK ISLANDS ECONOMY	39
4.3	CONSUMER PRICE INDEX	41
4.4	TOURISM	43
4.5	TRADE IN GOODS	45
4.6	OTHER KEY INDUSTRIES.....	47
5	Crown Debt and Net Worth	52
5.1	DEBT HEADROOM	52
5.2	EXCHANGE RATE ASSUMPTIONS	57
5.3	GROSS DEBT BY INDIVIDUAL LOAN	60
5.4	CROWN DEBT BY LENDERS	61
5.5	OTHER STATE-OWNED ENTERPRISE DEBT	61
6	Capital Expenditure	63
6.1	SUMMARY	63
6.2	CAPITAL SPENDING BY AGENCY	64
7	Official Development Assistance	73
7.1	NEW ZEALAND PROGRAMMES	73
7.2	EUROPEAN UNION PROGRAMMES	76
7.3	JAPAN PROGRAMMES.....	76
7.4	UNITED NATIONS PROGRAMMES.....	77
7.5	GREEN CLIMATE FUND PROGRAMMES.....	78
7.6	INDIA DONOR GRANT.....	80
7.7	ADAPTATION FUND PROGRAMMES	80
7.8	PRIVATE DONOR	80
8	Schedules	82
8.1	STATEMENT OF FISCAL RESPONSIBILITY (OPERATING)	82
8.2	STATEMENT OF FISCAL RESPONSIBILITY (NON-OPERATING)	83
8.3	FISCAL INDICATORS TABLE.....	84

8.4	SCHEDULE 1 – AGENCY BUDGET APPROPRIATIONS.....	85
8.5	SCHEDULE 2 – PAYMENTS ON BEHALF OF THE CROWN (POBOCS)	87
8.6	SCHEDULE 3 – COOK ISLANDS CAPITAL SPENDING.....	88
8.7	SCHEDULE 4 – OFFICIAL DEVELOPMENT ASSISTANCE	88
8.8	SCHEDULE 5A – OTHER EXPENSES & FINANCING TRANSACTIONS	88
8.9	SCHEDULE 5B – LOAN RESERVE FUND APPROPRIATION.....	88
8.10	SUMMARY	88
8.11	SCHEDULE 6 – CAPITAL SCHEDULE	89
8.12	SCHEDULE 7 – REVENUES ON BEHALF OF THE CROWN (ROBOCS).....	91
8.13	SCHEDULE 8A – ADMINISTERED PAYMENTS	93
8.14	SCHEDULE 8B – PAYMENTS ON BEHALF OF CROWN (POBOCS)	97
8.15	SCHEDULE 9A – DEBT SERVICING SCHEDULE (\$'000)	99
8.16	SCHEDULE 9B – LOAN RESERVE FUND (LRF) SCHEDULE (\$'000).....	99
8.17	SCHEDULE 10 – OFFICIAL DEVELOPMENT ASSISTANCE SCHEDULE	100
9	Financial Statements	103
9.1	STATEMENT OF FINANCIAL PERFORMANCE	103
9.2	STATEMENT OF FINANCIAL POSITION.....	104
9.3	STATEMENT OF BORROWINGS.....	104
9.4	STATEMENT OF CASHFLOW.....	105
10	Statement of Accounting Policies	106
10.1	BASIS OF PREPARATION	106
10.2	SIGNIFICANT ACCOUNTING POLICIES	106

List of Tables

TABLE 1-1 SUMMARY FISCAL STATEMENT	12
TABLE 1-2 FISCAL RULES PERFORMANCE	13
TABLE 2-1 FISCAL INDICATORS SUMMARY	15
TABLE 2-2 RECONCILIATION OF OPERATING STATEMENT (\$'000)	17
TABLE 2-3 CARRY FORWARD OF OPERATING FUNDS FROM 2020/21	18
TABLE 2-4 UPDATED GOVERNMENT REVENUE FORECASTS.....	18
TABLE 2-5 UPDATED GOVERNMENT EXPENDITURE FORECASTS.....	19
TABLE 2-6 FISCAL BALANCE	20
TABLE 2-7 SIGNIFICANT CYCLONES IN THE COOK ISLANDS	23
TABLE 2-8 QUANTIFIABLE CONTINGENT LIABILITIES.....	24
TABLE 2-9 VESTED ASSET CONTINGENT LIABILITY EXPIRY SCHEDULE	25
TABLE 2-10 LOW REVENUE SHOCK	26
TABLE 2-11 HIGH REVENUE SHOCK	27
TABLE 2-12 HIGH OPEX SHOCK.....	27
TABLE 2-13 LOW CAPEX SHOCK	27
TABLE 2-14 LOW GDP SHOCK	28
TABLE 2-15 LOW ARRIVALS SHOCK.....	28
TABLE 2-16 SEVERE LOW ARRIVALS SHOCK	28
TABLE 3-1 GFS STATEMENT	29
TABLE 3-2 TOTAL GFS REVENUE (\$'000)	30
TABLE 3-3 TOTAL GFS EXPENDITURE (\$'000).....	31
TABLE 3-4 CLASSIFICATION OF FUNCTIONS OF COOK ISLAND GOVERNMENT (\$000's)	36
TABLE 4-1 SUMMARY OF ECONOMIC INDICATORS.....	38
TABLE 4-2 REAL GDP GROWTH (PERCENTAGE CHANGE, YEAR ON YEAR)	39
TABLE 4-3 ESTIMATED TOTAL ARRIVALS, QUARTERLY, 2021/22 TO 2025/26	44
TABLE 4-4 FORECAST TOTAL TOURISM NUMBERS, BY MAJOR MARKET, 2021/22 TO 2025/26	45
TABLE 4-5 FISHERY CATCHES IN THE COOK ISLANDS EEZ BY SPECIES (TONNES).....	51
TABLE 4-6 TOTAL VALUE OF PRODUCE (\$'000)	51
TABLE 5-1 FINANCING REQUIREMENTS 2022-2026 ('000)	52
TABLE 5-2 INTEREST RATE BENCHMARK ASSUMPTIONS (ANNUAL PER CENT).....	56
TABLE 5-3 – MTDS KEY TARGETS 2023 - 2026.....	56
TABLE 5-4 EXCHANGE RATE FORECAST – 2022/23 TO 2026/27.....	57
TABLE 5-5 BASE EXCHANGE RATES ASSUMPTIONS USED IN 2022/23 BUDGET WITH +/- 10%.....	58
TABLE 5-6 STATUS OF GOVERNMENT LOANS TO 30 JUNE 2023	60
TABLE 5-7 OVERALL DEBT BY LENDERS (AS AT JUNE 2023)	61

TABLE 6-1 TOTAL CAPITAL EXPENDITURE (\$'000)	63
TABLE 6-2 TOTAL CAPITAL EXPENDITURE BY FUNDING SOURCE (\$'000).....	64
TABLE 6-3 CAPITAL PROJECTS, CIIC (\$).....	64
TABLE 6-4 CAPITAL PROJECTS, MOE (\$)	66
TABLE 6-5 CAPITAL PROJECTS, MOH (\$)	66
TABLE 6-6 CAPITAL PROJECTS, ICI (\$).....	67
TABLE 6-7 CAPITAL PROJECTS, INTERNAL AFFAIRS (\$).....	70
TABLE 6-8 CAPITAL PROJECTS, MFEM (\$)	71
TABLE 6-9 CAPITAL PROJECTS, OPM (\$).....	71
TABLE 6-10 CAPITAL PROJECTS, ADMINISTERED BY MFEM (\$)	72

List of Figures

FIGURE 1-1 NOMINAL GDP GROWTH, ANNUAL PERCENTAGE CHANGE	11
FIGURE 1-2 FISCAL PERFORMANCE AND MEDIUM-TERM FISCAL OUTLOOK (\$'000)	13
FIGURE 2-1 GOVERNMENT REVENUE FORECAST COMPARISON	19
FIGURE 2-2 GOVERNMENT EXPENDITURE FORECAST COMPARISON	20
FIGURE 2-3 GOVERNMENT FISCAL BALANCE	20
FIGURE 3-1 BREAKDOWN OF GFS REVENUE	31
FIGURE 3-2 GFS OPERATING EXPENDITURE (PERCENTAGE).....	32
FIGURE 3-3 CLASSIFICATION OF FUNCTIONS OF COOK ISLAND GOVERNMENT	35
FIGURE 4-1 ANNUAL PERCENTAGE CHANGE IN REAL GDP.....	37
FIGURE 4-2 COOK ISLANDS ECONOMY BY INDUSTRY, 2021.....	40
FIGURE 4-3 CONTRIBUTION TO 2021 NOMINAL GROWTH (PERCENTAGE POINT)	41
FIGURE 4-4 ANNUAL CHANGE IN NOMINAL GDP (PERCENTAGE)	41
FIGURE 4-5 CPI, YEAR AVERAGE, 2011-12 TO 2020-21 (PERCENTAGE CHANGE).....	42
FIGURE 4-6 CONTRIBUTION TO 2021 CALENDAR YEAR AVERAGE INFLATION (PERCENTAGE POINT).....	42
FIGURE 4-7 ANNUAL AVERAGE CHANGE IN CPI (PERCENTAGE)	43
FIGURE 4-8 TOTAL VISITOR ARRIVALS, 12-MONTH TOTAL, 2013/14 TO 2025/26	44
FIGURE 4-9 IMPORT VALUE BY COUNTRY OF ORIGIN, YEAR TO MARCH (\$'000).....	45
FIGURE 4-10 VALUE OF TOTAL GOODS IMPORTS, ANNUAL, 2016-17 TO 2024-25, YEAR TO JUNE (\$'000).....	46
FIGURE 4-11 MAJOR GOODS EXPORTS, 2020 AND 2021, YEAR TO MARCH (\$'000).....	46
FIGURE 4-12 BANK DEPOSITS AND LOANS, SEPTEMBER 2018 TO SEPTEMBER 2021 (\$'000).....	47
FIGURE 4-13 BUILDING APPROVALS, 2016 TO 2021 (\$'000)	49
FIGURE 4-14 FISHERY CATCH IN THE COOK ISLANDS EEZ.....	50
FIGURE 5-1 NET DEBT TO GDP INCLUDING FINANCING REQUIREMENTS (PERCENTAGE OF NOMINAL GDP)	53
FIGURE 5-2 CROWN DEBT NET OF LOAN REPAYMENT FUND	54
FIGURE 5-3 10-YEAR DEBT SERVICING PROFILE (\$ MILLION)	54
FIGURE 5-4 10-YEAR DEBT SERVICING PROFILE BY CURRENCY (NZ\$ MILLION EQUIVALENT).....	55
FIGURE 5-5 10-YEAR DEBT SERVICING PROFILE BY PRINCIPAL/INTEREST (\$ MILLION).....	55
FIGURE 5-6 ASSUMED CHANGES IN MAJOR EXCHANGE RATES (INDICES – 2021/22 = 100)	57
FIGURE 5-7 OVERALL DEBT BY CURRENCY (AS AT JUNE 2022)	58
FIGURE 5-8 SENSITIVITY OF CROWN GROSS DEBT TO NZD MOVEMENTS	59
FIGURE 5-9 SENSITIVITY OF CROWN DEBT SERVICING COSTS TO NZD MOVEMENTS.....	59
FIGURE 5-10 OVERALL DEBT BY LENDERS (AS AT JUNE 2023)	61
FIGURE 5-11 DEBT HELD FOR SOE'S (AS AT JUNE 2023)	62



MINISTER OF FINANCE
GOVERNMENT OF THE COOK ISLANDS
OFFICE OF THE MINISTER OF FINANCE

P.O. Box 3246 Rarotonga, Cook Islands
Telephone: (+682) 24-875; Facsimile: (+682) 24-178

27 June 2022

STATEMENT OF RESPONSIBILITY

Pursuant to section 17 of the *Ministry of Finance and Economic Management Act 1995-96*, I hereby make available a Pre-election Economic and Fiscal Update. The information in this document is based primarily on the latest data since the publication of the Budget Policy Statement 2022/23 and Half-year Economic and Fiscal Update 2021/22 in December 2021.

I have made available to the Financial Secretary all relevant information regarding policies of the Government that could materially affect this economic and fiscal update.

The economic and fiscal information included in this update is based on the best professional judgement that we have at this period of time. I accept the overall responsibility for the integrity of the Pre-election Economic and Fiscal Update and its compliance with the *Ministry of Finance and Economic Management Act 1995-96*.

Kia Manuia,

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

Honourable Mark Brown
Minister of Finance



**GOVERNMENT OF THE COOK ISLANDS
OFFICE OF THE MINISTER OF FINANCE**

P.O. Box 3246 Rarotonga, Cook Islands
Telephone: (+682) 24-875; Facsimile: (+682) 24-178

27 June 2022

STATEMENT OF RESPONSIBILITY

Section 17 of the *Ministry of Finance and Economic Management Act 1995-96* requires that the Minister of Finance publish a report containing an economic and fiscal update within fourteen days of the appointment of a polling date in relation to a general election.

The purpose of the Pre-election Economic and Fiscal Update is to provide up to date information on the state of the economy and the financial position of Government. The information provided in the update takes in to account as much as possible all Government decisions and other circumstances that may have a material effect on economic and fiscal conditions.

I have received the assurance of the Minister of Finance that he has disclosed all relevant information regarding Government policies that could materially affect the update.

The Pre-election Economic and Fiscal Update primarily reflects significant factors that have changed since the publication of the Budget Policy Statement 2022/23 and Half-year Economic and Fiscal Update 2021/22 in December 2021.

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

Kia Manuia,

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

Garth Henderson
Financial Secretary

1 Introduction

The 2021/22 Pre-election Economic and Fiscal Update (PEFU) provides information on the current state of the economy including the government's associated fiscal and economic position prior to the general elections on 1 August 2022. Part 2, section 17 of the Ministry of Finance and Economic Management (MFEM) Act 1995-96 requires the PEFU to be published no later than 14 days after the appointment of the polling day in relation to any general election of members of Parliament pursuant to the *Electoral Act 1966*.

Prior to the PEFU, the 2021/22 Budget Estimates and the 2021/22 Half-year Economic Fiscal Update (HYEFU) were the preceding documents providing the latest economic and fiscal update. The 2021/22 HYEFU provided an update on the economic and fiscal forecasts made at the time of the 2021/22 Budget including an analysis of the changes in key economic variables and its impact on the Government's fiscal position. The medium-term priorities for the 2021/22 fiscal year were set out in the 2020/21 HYEFU as the Medium-term fiscal strategy and budget policy statement.

The estimates contained in the PEFU reflect the Government's current policies, including expenditure decisions taken since the 2021/22 HYEFU, year to date assessments of revenue patterns made against the original budget, and updated economic forecasts and their associated impact on forecasted revenue. These are reported in order to provide an accurate picture of the current financial position of the country before the election on 1st August 2022. For transparency reasons, the PEFU shows the estimates of particular items and provides an analysis of changes since the 2021/22 HYEFU. Where information has remains unchanged from that published in the 2021/22 HYEFU, it has not been reproduced in this update.

1.1 Overview

The PEFU has been developed within the context of a gradual recovery from the severe economic shock of COVID-19. The economic impact has been significant in terms of the Gross Domestic Product (GDP) being affected from both private and public revenues.

The significantly changed economic conditions resulted in a revision of the Fiscal Rules in October 2021 to enable the Government to provide an appropriate fiscal response to the economic shock. This included prioritising the Government's cash reserves rule to ensure that there are sufficient operating cash balances. The Net Debt rule was also revised to ensure that there is access to financial support while also remaining within a reasonable level of debt.

The fiscal forecasts indicate that the revised rules will be met in 2022/23 except for the Cash Reserves Rule, necessitating the use of the 'exit clause' (with respect to the Cash Reserves Rule) in the 2022/23 budget to enable the ongoing implementation of the Economic Recovery Roadmap (ERR), the COVID-19 Medical response fund, and the servicing of debt obligations.

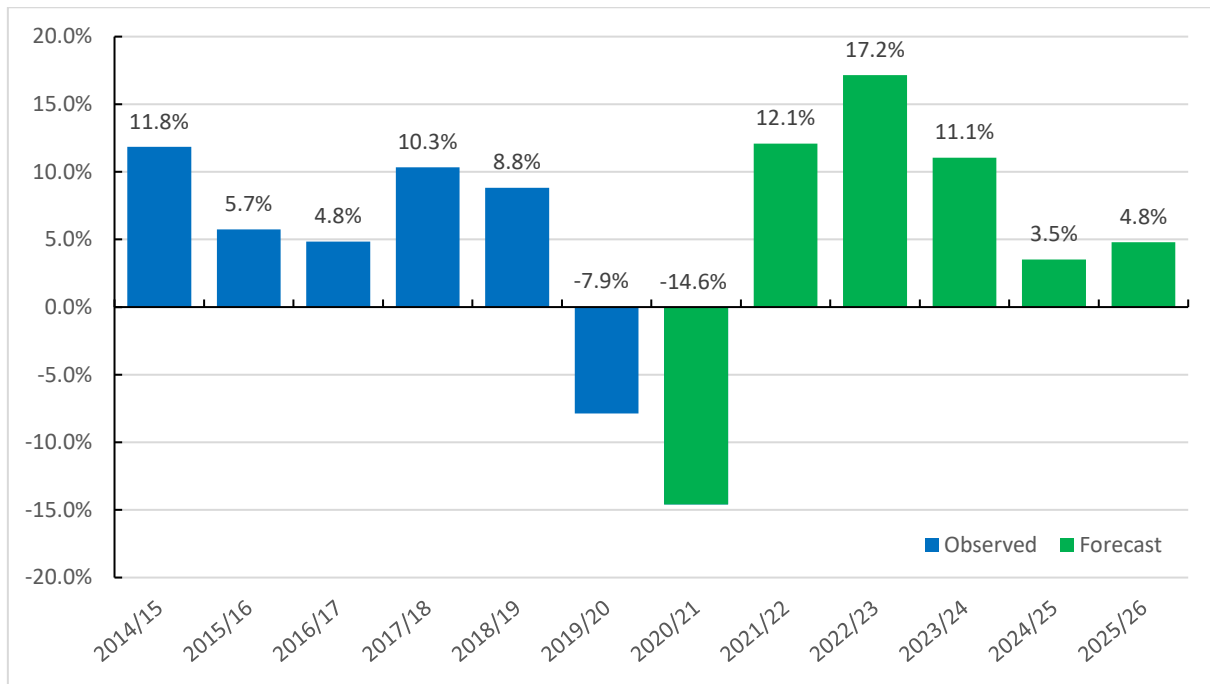
The continuing impacts of COVID-19 on the Cook Islands is challenging to forecast due to the various unknowns impacting the assumptions. The PEFU assumes that the Cook Islands borders will remain open throughout the 2022/23 fiscal year.

The assumptions underpinning the economic and fiscal forecasts are detailed in this report which consist of known information at the time of publication and these are considered conservatively.

1.2 Economic performance and outlook

The COVID-19 pandemic has had a severe impact on the Cook Islands economy. Border closures and the halt in tourism after recording high numbers in 2019 led to two consecutive years of negative economic growth, -7.9 per cent in 2019/20 and -14.6 per cent in 2020/21, from pre-pandemic GDP levels estimated at \$550.0 million to \$431.8 million. This contraction is significant despite the large government response in the form of fiscal stimulus (through the Economic Response Plan (ERP) and the ERR) that has added over 20 per cent of GDP.

Figure 1-1 Nominal GDP growth, annual percentage change



For 2021/22, the economic performance is forecast to improve slightly to 12.1 per cent. This forecast considers the six months of the Cook Islands borders being open to some markets (primarily New Zealand) with an estimated 50,000 visitors arriving within the period.

The economic outlook is largely determined by the speed at which visitors return to the Cook Islands. With uncertainty surrounding airline links and the broader international travel situation slowly returning to 'normal', conservative assumptions have been used in developing these forecasts (refer to the Economic Update chapter for more information).

Strong economic growth is forecasted in 2022/23 based on the assumption that the border will remain open throughout the fiscal period, leading to a nominal growth of 17.2 per cent, bringing the economy back to the same nominal size prior to COVID-19.

This growth also factors in higher inflation due to a combination of capacity constraints within country (in particular, labour), the impact of global issues on the supply chain and energy price fronts pushing prices up.

1.3 Fiscal performance and outlook

The scale of the economic impact to the Cook Islands is highlighted in the total taxation revenue currently estimated at \$107.6 million in 2021/22, just 67.6 per cent of 2018/19 pre-COVID levels (\$159.1 million), but an improvement of 24.3 per cent over 2020/21 taxation revenue of \$86.5 million.

Budget support funding, primarily from the New Zealand Government, contributed \$40.0 million¹ to Other Revenue. With this contribution Other Revenue is estimated to be \$66.2 million for 2021/22.

Taxation revenue forecasts indicate that total tax revenue will increase to \$139.3 million in 2022/23, an increase of 29.5 per cent on 2021/22 levels, primarily driven by recovery in Income Tax levels and an increase in Departure Tax. Other Revenue is forecast to decrease to \$28.3 million in 2022/23, then to \$20.5 million in 2023/24 and remain steady over the forward years.

Operating expenditure in 2021/22 is estimated to be \$196.7 million, including \$39.5 million through the ERR in economic support to the private sector. Government's operating expenditure for 2022/23 is forecast at \$187.0 million, reducing to \$178.8 million in 2023/24.

Increasing revenue over the outer years will offset rising debt servicing costs, primarily repayments of loans to fund the Government's economic support programmes through the ERP and ERR between 2019/20 and 2021/22.

Capital investment is budgeted at \$34.2 million in 2022/23 inclusive of reappropriated funds. The Cook Islands Government is in discussions with funding partners to support a number of projects, with the aim of growing and maintaining capital expenditure at around \$40.0 million per year over the medium-term.

The pandemic has necessitated an increase in national debt to finance deficits. 2021/22 is expected to close with a deficit of \$37.7 million which has been funded by new debt funding from the Asian Development Bank.

Government is projecting a fiscal deficit of \$39.8 million in 2022/23 that will be funded through Government's cash reserves at the end of 2021/22, forecast at \$65.9 million. General cash reserves are forecast to fall to \$20.4 million at the end of 2022/23, plus any fiscal underspends during the year. This level of cash reserves is below the requirement of the Cash Reserves fiscal rule, necessitating the use of the Exit Clause in 2022/23.

An operating deficit of \$0.7 million and fiscal deficit of \$5.2 million (-0.8 per cent of GDP) is projected in 2023/24, with an operating surplus of \$5.5 million and a fiscal surplus of \$3.4 million (0.5 per cent of GDP) projected in 2024/25. These projections are sensitive to actual economic recovery in GDP along with actual Government expenditure in 2022/23 and 2023/24.

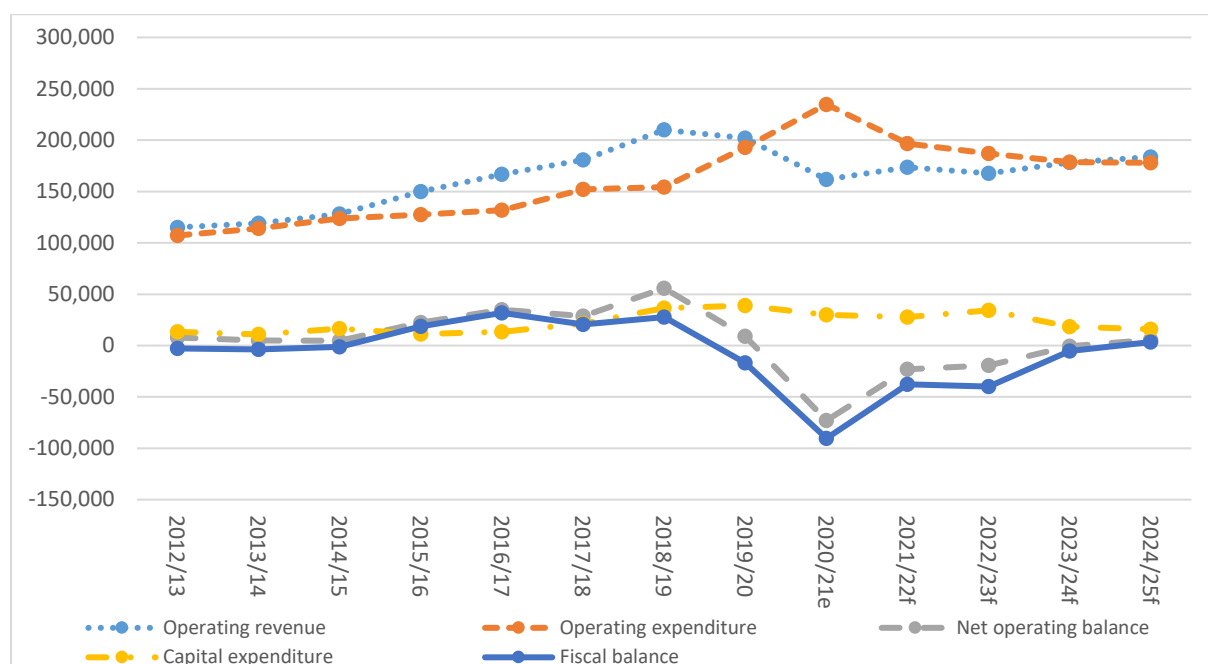
Forecast movements and relationships between revenue, expenditure and the operating and fiscal balances are presented in Table 1-1 and Figure 1-2.

Table 1-1 Summary fiscal statement

\$ million	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection	2025/26 Projection
Operating Balance (\$m)	-22.9	-19.4	-0.7	5.5	17.1
Fiscal Balance surplus/deficit (\$m)	-37.7	-39.8	-5.2	3.4	15.8
Working Capital (\$m)	62.4	16.9	1.4	0.0	0.0
Stabilisation Account	3.5	3.5	3.5	3.5	3.5
Financing Gap	10.4	0.0	4.9	8.7	1.3
Net Debt, Percentage of GDP	44.6	36.3	31.1	28.0	24.2

¹ The New Zealand Government contributed a total of \$50.0 million to the Cook Islands Government as Budget Support during 2021/22. \$10.0 million has been retained in an Official Development Assistance balance to allow flexibility in the ERR and COVID-19 Medical Fund through to the end of the 2021/22 fiscal period. The residual balance of these funds will be retained as an Official Development Assistance balance available to spend in 2022/23.

Figure 1-2 Fiscal Performance and Medium-term Fiscal Outlook (\$'000)



Net debt to GDP is forecast to peak at 44.6 per cent in 2021/22 before reducing as GDP recovers.

Table 1-2 Fiscal Rules performance

Rules	Unit	Threshold	2020/21 Estimated Actual	2021/22 Budget Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Cash reserves	Month	3	4.1	1.2	0.1	0.0	0.0
Net debt to GDP	%	55/65	44.6	36.3	31.1	28.0	24.2
Investment Rule*	%	55	Not Binding	Not Binding	Not Binding	Not Binding	Not Binding
Estimated Expenditure	\$m	2% growth	147.6	154.0	148.9	148.4	148.1
Expenditure Limit			151.0	152.4	160.3	154.2	151.4

*'Not Binding' indicates that the rule threshold has not been exceeded.

The estimated performance against the fiscal rules is based on conservative economic and fiscal estimates, which assume a gradual economic recovery and full expenditure of Government's appropriation in each year. Considering the significant uncertainty inherent in the forecasts due to the ongoing impacts of COVID-19, a conservative approach remains prudent.

2 Fiscal Update

This chapter provides an update on the current fiscal estimates, including further revisions and movements in Government revenue and expenditure since the 2021/22 Half-year Economic and Fiscal Update (HYEFU).

For 2020/21, the fiscal balance improved by \$2.4 million compared to the 2021/22 HYEFU due to a reduction in government expenditure to reflect the actual costs as of 30 June 2021. A significant underspend in capital expenditure of \$10.0 million and increased revenue received through other revenue such as gains on foreign exchange and fisheries revenue contributed to a positive improvement in the fiscal balance.

The fiscal balance for 2021/22 is expected to improve significantly by \$17.1 million because of a large underspend in operating and capital expenditure. Furthermore, government revenue for 2021/22 is estimated to be less than what was reported in the 2021/22 HYEFU due to a reduction in other revenue received.

In the medium-term, an operating surplus of \$8.2 million is projected in 2024/25, as operating revenues increase gradually while operating expenditure reduce. The fiscal balance is projected to improve steadily to a fiscal surplus of \$3.4 million in 2024/25.

2.1 Fiscal Indicators and Projections

Table 2-1 provides an overview of the Government's fiscal position, including the revisions made to the fiscal projections reported in the 2021/22 HYEFU.

Actual operating expenditure for 2020/21 is reportedly \$234.8 million as of 30 June 2021, a reduction of \$2.4 million compared to the 2021/22 HYEFU. This is due to lower than expected expenditure in the Economic Response Plan (ERP), mainly due to the timing of payments falling within the next fiscal year. As a result, the fiscal balance for 2020/21 improved slightly from a fiscal deficit of \$92.7 million as reported in the 2021/22 HYEFU to a \$90.3 million fiscal deficit.

For 2021/22, total operating revenue is expected to be lower than estimated at the time of the 2021/22 HYEFU due to a reduction in other revenue by \$3.3 million, which offset the slight increase in taxation revenue by \$1.8 million. Operating expenditure is also expected to be lower than the 2021/22 HYEFU by \$9.2 million due to unfilled vacancies and the effect of COVID-19 on some operating expenditure and administered payments resulting in unutilised funds. Capital expenditure is also less than what was forecasted in the 2021/22 HYEFU by \$10.0 million. The reduction in government expenditure means the fiscal balance is expected to improve from an estimated deficit of \$54.8 million to a \$37.7 million deficit for 2021/22.

Government has committed to one new loan in the 2021/22 Budget of \$55.5 million to fund the ERR and provide liquidity for operating expenditures. The net debt ratio (including commercial debt with State-Owned Enterprises) is expected to be \$215.9 million (44.6 per cent of GDP) for 2021/22, before decreasing to \$182.2 million (28.0 per cent of GDP) by 2024/25.

Table 2-1 Fiscal Indicators Summary

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Statement of Financial Performance						
Taxation Revenue (\$m)	86.5	106.0	107.6	139.3	157.7	162.7
Social Contributions (\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenue (\$m)	75.3	69.5	66.2	28.3	20.5	20.8
Total Operating Revenue (\$m)	161.9	175.5	173.7	167.7	178.2	183.5
Total Operating Revenue Percentage of GDP	37.5	36.0	35.9	29.6	28.3	28.1
Tax Revenue Percentage of GDP	20.0	21.8	22.2	24.6	25.0	25.0
Total Cyclical Revenue (\$m)	2.4	11.1	6.6	11.5	11.6	11.6
Total Cyclical Revenue Percentage of GDP	0.6	2.3	1.4	2.0	1.8	1.8
Total Structural Revenue (\$m)	159.5	164.4	167.2	156.2	166.5	171.8
Total Structural Revenue Percentage of GDP	36.9	33.7	34.5	27.5	26.4	26.4
Personnel (\$m)	69.7	74.8	69.5	76.4	76.7	76.8
Percentage of Total Revenue	43.1	42.6	40.0	45.6	43.1	41.8
Percentage of Structural Revenue	43.7	45.5	41.6	48.9	46.1	44.7
Total Operating Expenditure (\$m)	234.8	206.4	196.7	187.0	178.8	178.0
Percentage of GDP	54.4	42.4	40.6	33.0	28.4	27.3
Percentage of Operating Revenue	145.1	117.6	113.2	111.6	100.4	97.0
Cash Operating Expenditure*	221.8	192.4	183.6	173.1	165.3	164.6
Operating Balance (\$m)	-73.0	-30.9	-22.9	-19.4	-0.7	5.5
Percentage of GDP	-16.9	-6.3	-4.7	-3.4	-0.1	0.8
Capital Expenditure	30.0	37.8	27.8	34.2	18.3	15.9
Depreciation	12.7	13.9	13.1	13.8	13.8	13.8
Non-Operating Balance (\$m)	-36.7	-6.9	16.8	-44.0	-32.8	-28.7
Fiscal Balance surplus/deficit (\$m) *	-90.3	-54.8	-37.7	-39.8	-5.2	3.4
Percentage of GDP	-20.9	-11.3	-7.8	-7.0	-0.8	0.5
Statement of Financial Position (\$m)						
Assets (\$m)	547.7	591.3	584.9	627.4	615.5	606.2
Liabilities (\$m)	361.4	410.5	413.2	403.3	393.7	379.9
Crown Balance (\$m)	186.3	180.8	171.6	224.1	221.8	226.3
Percentage of GDP	43.2	37.1	35.5	39.5	35.2	34.7
Working Capital (\$m)	53.6	42.8	62.4	16.9	1.4	-7.4
Working Capital (months coverage)	2.9	2.7	4.1	1.2	0.1	-0.5
Stabilisation Account	3.5	3.5	3.5	3.5	3.5	3.5
General Cash Reserves	57.1	46.3	65.9	20.4	4.9	-3.9
Statement of Borrowings (\$m)						
Gross Debt end of FY (\$m)	176.6	225.7	228.5	218.5	208.9	195.1
Gross Debt, Percentage of GDP	40.9	46.3	47.2	38.5	33.2	29.9
Net Crown Debt, end of FY (\$m)	165.0	212.1	215.9	205.8	196.1	182.2
Net Debt, Percentage of GDP	38.2	43.5	44.6	36.3	31.1	28.0
Loan Repayment Reserves Held (\$m)	11.7	13.7	12.5	12.7	12.8	12.9
Net Debt Servicing (\$m)	10.0	11.1	13.3	14.5	20.2	21.8
Percentage of Total Revenue	6.2	6.3	7.6	8.7	11.4	11.9
Percentage of Structural Revenue	6.3	6.8	7.9	9.3	12.2	12.7
Development Partner Support (\$m)						
Grants (\$m)	21.6	53.8	31.3	91.5	19.6	11.2
Percentage of GDP	5.0	11.0	6.5	16.1	3.1	1.7
Memo item: Nominal GDP (\$m)	431.8	487.2	484.0	567.0	629.7	651.9

2.2 Fiscal Rules

The Fiscal Responsibility Rules constrain the expenditure ceilings as part of the Medium-term Fiscal Strategy (MTFS). These rules were revised in the preparation of the Budget Policy Statement for the 2022/23 Budget. Please refer to the 2021/22 HYEPU for more information.²

2.2.1 Exit Clause

The MTFS includes an 'Exit Clause' that allows for a temporary departure from the fiscal rules to enable a Government stimulus response to boost the economy. The Government agrees to always abide by the fiscal anchor and operational rules, with two exceptions. The Government may breach these Fiscal Rules only in the event of a natural disaster (and subsequent calling of a state of emergency), or a severe economic shock (defined as real economic growth of negative two per cent or less).

The Fiscal Rules were revised in preparation of the Budget Policy Statement for the 2022/23 Budget to more accurately reflect the new economic context. These changes include:

- prioritising the Cash Reserves Rule;
- increasing the limits of the Net Debt Rule to 55 and 65 per cent of GDP;
- making the focus of the Expenditure Rule more explicit to expenses over which Government has discretion, excluding legislated payment requirements such as welfare and contractual requirements such as debt servicing expenses;
- implementing an Investment Rule to restrict Government expenditure if Net Debt levels exceed 55 per cent of GDP.

As cash reserves are forecast to fall below three months of operating expenditure during the 2022/23 fiscal year, the Exit Clause remains in effect. The actual level of cash reserves may be impacted by factors such as underspends in personnel and capital during 2021/22 and 2022/23, and revenues differing from forecast levels.

2.3 Movements since the 2021/22 HYEPU

The 2021/22 PEPU classifies revenue and expenditure adjustments according to the following categories:

- policy decisions leading to new initiatives undertaken by Government,
- technical adjustments,
- reclassification of expenses, which includes intra-agency adjustments, for example, a transfer from operating to personnel,
- parameter changes, movements that occur due to economic changes that are outside of a decision by government, including depreciation, movements in welfare beneficiary numbers and the impact of changes in fuel costs on the Airline underwrite.

Table 2-2 shows the movements in revenue and expenditure since the publication of the 2021/22 HYEPU in December 2021.

² http://www.mfem.gov.ck/images/MFEM_Documents/Budget_Books/2021-22/2021-22_HYEPU_v.2.pdf

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

Statement of Government Operations	2020/21	2021/22	2022/23	2023/24	2024/25
Operating balance as at 2021/22 HYEFU	-78,241	-30,932	-17,916	8,152	14,324
Revenue					
<i>Revenue Parameter Changes</i>	529	1,566	12,639	-4,009	-4,114
<i>Adjustments to:</i>					
Value Added Tax (VAT)	-5480	600	563	-1,076	-1,520
Income tax	1290	400	6,080	-477	-695
Import levies	2738	-650	-450	-300	-300
Company tax	1522	600	-816	-2,639	-1,780
Departure tax	39	627	7,268	482	181
Withholding tax	421	-11	-6	0	0
<i>Other Revenue Changes</i>	7,301	-3,393	367	499	1,425
Other revenue	6,912	-4,353	237	304	1,258
Trading Revenue	389	960	246	246	246
Dividend	-	-	-117	-52	-80
Core Sector support	-	-	-	-	-
Total Revenue Changes to 2022/23 Budget	7,830	-1,737	13,006	-3,511	-2,689
Expenditure					
<i>Expenditure Decisions by Government</i>	-	430	11,799	2,322	3,224
<i>Technical adjustments</i>	-	-	-	-	-
<i>Reclassifications of expenditure</i>	-	-	-	-	-
<i>Parameter changes</i>	4,960	-10,149	2,682	3,004	2,924
Total Expenditure Changes to 2022/23 Budget	4,960	-9,719	14,481	5,326	6,149
OPERATING BALANCE as at 2022/23 Budget	-75,371	-22,950	-19,391	-684	5,486
Capital Expenditure	30,036	27,770	34,160	18,257	15,897
Depreciation	12,676	13,054	13,767	13,783	13,783
FISCAL BALANCE - as at 2022/23 Budget	-92,731	-37,665	-39,785	-5,158	3,372

2.3.1 Revenue

The fiscal deficit forecast for 2022/23 has improved by \$15.0 million since the 2021/22 HYEFU update. This is due to increased revenues in 2022/23, mostly in the form of departure tax and income tax as well as a reduction in capital expenditure by \$3.6 million compared to the 2021/22 HYEFU estimates.

Updates were made to revenue estimates, particularly taxation revenue, from 2022/23 to 2024/25. In 2022/23 the temporary increase in Departure Tax of \$50 and increasing tourism numbers is expected to result in \$7.3 million in extra revenue. Income tax has likewise been revised upwards by \$6.1m to \$27.8 million, largely because of the reopening of borders impacting on jobs and incomes.

2.3.2 Expenditure

2.3.2.1 Carry Forwards of 2020/21 Funds

The MFEM Act 1995/96 allows a government agency to request a 'carry-forward' of unexpended funding from the prior fiscal year into the new fiscal year. This is an exceptional process requiring the approval of both the Financial Secretary and concurrence of the Minister of Finance.

Carry-forward requests are similar to reappropriation with the exception that the adjustment process occurs after the Appropriation Act is passed.

Carry-forwards are ordinarily reported in the Half-Year Economic and Fiscal Update, but in exceptional circumstances, a carry-forward may be approved later and reported in the Budget Estimates.

Table 2-3 accounts for a total of \$2.4 million of residual funds from the 2020/21 Budget approved for expenditure in the 2021/22 fiscal year since the publication of the 2021/22 HYEFU.

Table 2-3 Carry Forward of Operating Funds from 2020/21

Expenditure Type	Agency	Details	Amount	2020/21	2020/21	2021/22	2021/22
				Budget Estimate	Budget Adjusted	PEFU Estimate	Budget Adjusted
Administered Payment	MFEM	Economic Response Plan	2,411,641	80,799,615	78,387,974	352,364	2,764,005
Total Operating Expenditure			2,411,641	80,799,615	78,387,974	352,364	2,764,005

Economic Response Plan – to support the extension of the ERP wage support programme, sole-trader grants and business grants in the 2021/22 period. Funds were carried forward and a residual balance was transferred to the Economic Recovery Roadmap fund to consolidate funds supporting the ERP private sector support.

2.3.2.2 Executive Orders since the 2021/22 HYEFU

Since the publication of the 2021/22 HYEFU, a total of **\$930,400** was approved through executive order for the 2021/22 fiscal year towards the following expenditure:

- **\$300,000** to top-up the Patient Referral administered fund to cover a funding shortfall.
- **\$130,400** top-up to the operating contingency fund to cover financial relief payments for the fisheries and agriculture sectors due to damages sustained from strong winds and heavy rain in January 2022.
- **\$500,000** towards the Patient Referral administered fund to cover ongoing costs for the referral of patients to seek secondary or tertiary level care.

2.3.3 Fiscal Forecast

The future economic performance and revenue forecast considers a gradual recovery from the external shock of COVID-19.

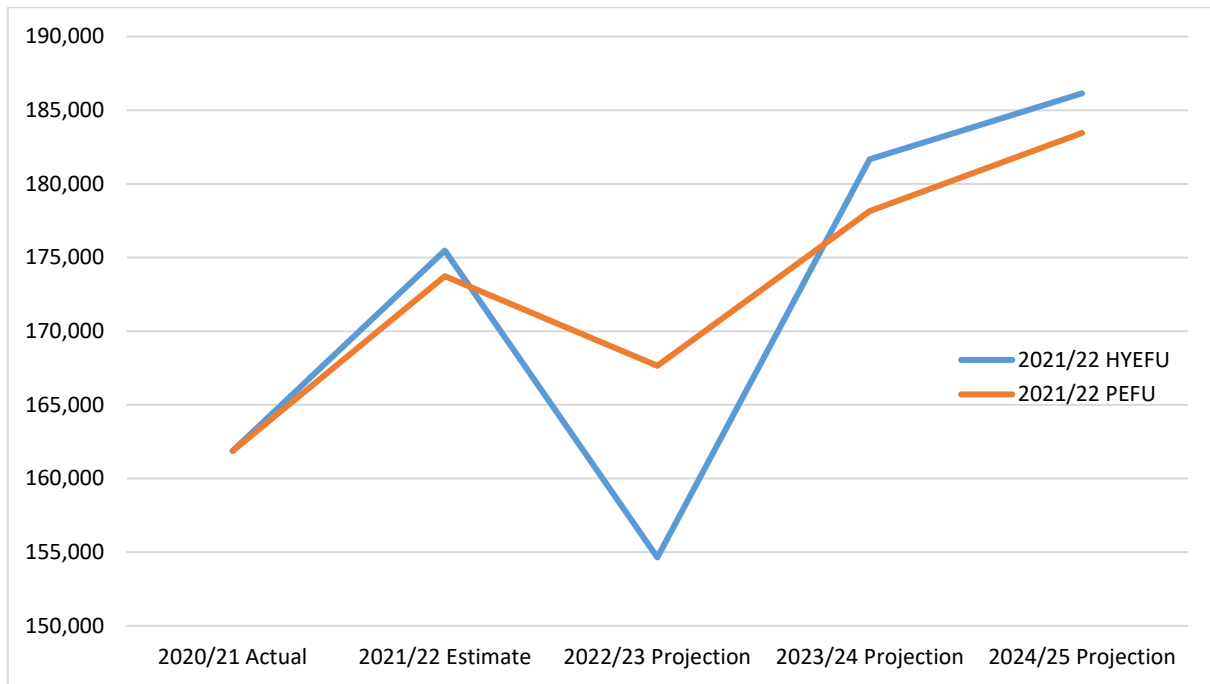
Revenue for 2021/22 is estimated to be \$173.7 million, a decrease of \$1.7 million compared to the 2021/22 HYEFU estimate. This due to a decrease in other revenue which offset the increase in taxation revenue. The revised forecasts are compared in Table 2-4.

For 2022/23, revenues are expected to significantly improve by \$13.0 million based on the assumption that the Cook Islands' borders remain open throughout the fiscal year. Forecast estimates for 2023/24 and 2024/25 reflect a moderate recovery in government revenue due to growth in tourist arrivals.

Table 2-4 Updated Government Revenue Forecasts

Revenue Projections	2020/21 Actual	2021/22 Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
2021/22 HYEFU	161,868	175,472	154,646	181,668	186,144
2021/22 PEFU	161,868	173,736	167,652	178,157	183,455
Difference	0	-1,736	13,006	-3,511	-2,689

Figure 2-1 Government Revenue Forecast Comparison



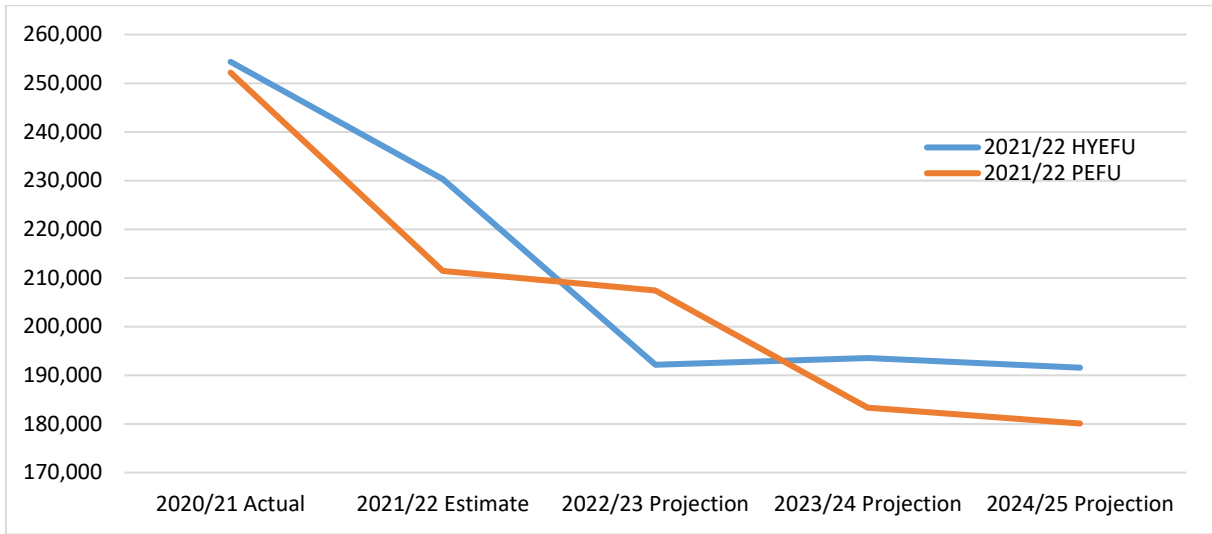
The expenditure estimate for 2021/22 is expected to decrease by \$18.9 million largely due to underspends in capital expenditure as some projects were impacted by global supply chains and logistics. Expenditure for 2022/23 is expected to increase because of projects which were planned for the 2021/22 fiscal year have been reappropriated for implementation in the following year. From 2023/24 onwards, government expenditure is expected to reduce significantly compared to the 2021/22 HYEFU estimate in anticipation of increased debt repayments.

Table 2-5 Updated Government Expenditure Forecasts³

Expenditure Projections	2020/21 Actual	2021/22 Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
2021/22 HYEFU	254,396	230,304	192,141	193,530	191,559
2021/22 PEFU	252,188	211,401	207,436	183,315	180,083
Difference	-2,208	-18,903	15,295	-10,215	-11,476

³ Table 2-5 is presented without the adjustment planned through the Medium-term Fiscal Strategy of negative \$1.4 million in 2024/25. Data includes operating and capital expenditures reported through Table 2-1 and does not consider certain non-operating expenditures.

Figure 2-2 Government Expenditure Forecast Comparison



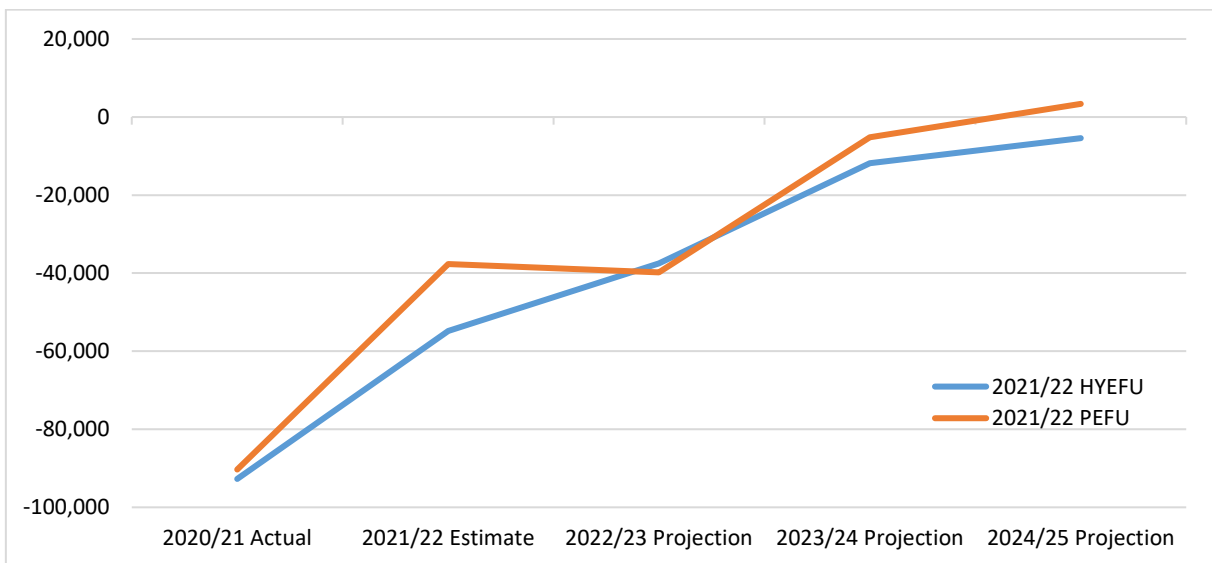
Due to the underspend in government expenditure, the fiscal balance for 2021/22 is expected to significantly improve compared to the 2021/22 HYEPU by approximately \$17.2 million. A fiscal deficit of \$37.7 million is estimated at year-end, representing -7.8 percent of GDP compared to -11.3 percent of GDP as estimated for the 2021/22 HYEPU.

The fiscal balance for 2022/23 is expected to increase by \$2.3 million because of the increased government expenditure for the fiscal year resulting in a fiscal deficit of \$39.8 million instead of a \$37.5 million deficit. For the outer years, the fiscal balances show a gradual recovery with increased tourist arrivals resulting in a \$3.4 million fiscal surplus projected for 2024/25.

Table 2-6 Fiscal Balance

Fiscal Balance	2020/21 Actual	2021/22 Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
2021/22 HYEPU	-92,731	-54,831	-37,495	-11,862	-5,415
2021/22 PEFU	-90,320	-37,665	-39,784	-5,158	3,372
Difference	2,411	17,166	-2,289	6,704	8,787

Figure 2-3 Government Fiscal Balance



2.4 Assumptions underlying the economic and fiscal projections

Various assumptions have been made to forecast the Cook Islands economic outlook and the Government's fiscal performance and position in the outer years.

2.4.1 Economic assumptions

2.4.1.1 Introduction

The Cook Islands Statistics Office publishes current and real price (2016 base year) estimates of GDP on a quarterly basis, using the production approach. GDP estimates are disaggregated by major industry classifications, including institutional sectors. The latest data from the Statistics Office relates to the December quarter 2021.

2.4.1.2 Gross Domestic Product production model

A Computable General Equilibrium (CGE) modelling approach has been used to forecast aggregate GDP and several key variables in a manner that is internally consistent and uses economic relationships to determine how shocks permeate through the economy. This approach provides both real and nominal changes in variables such as:

- Gross Domestic Product
- Trade aggregates
- Investment and savings
- Household consumption
- Consumer Price Index
- Wages
- Operating surpluses

This model has been developed using technical assistance from the Asian Development Bank, and utilising a wide range of data sources.

2.4.1.3 Data

The key data sets used for the model are:

- Real and nominal GDP – quarterly data to December 2021.
- Trade, imports, and exports – monthly data to April 2021.
- CPI – quarterly index data to December 2021.
- International arrivals – Customs and Immigration monthly data to March 2022.
- Building approvals – quarterly data to June 2021.

2.4.1.4 Key economic indicator assumptions

Nominal GDP is expected to grow by:

- 12.1 per cent in 2021/22
- 17.2 per cent in 2022/23
- 11.1 per cent in 2023/24
- 3.5 per cent in 2024/25
- 4.8 per cent in 2025/26

Growth in prices, measured through the movements in the CPI, is expected as follows:

- 4.3 per cent in 2021/22
- 3.9 per cent in 2022/23
- 4.2 per cent in 2023/24
- 0.6 per cent in 2024/25
- 1.6 per cent in 2025/26

Refer to Chapter 4 for more information on the economic forecasts and indicators.

2.4.2 Fiscal assumptions

The Government's expected fiscal performance over the forward period is based on the following assumptions:

- operating revenues are forecast on the basis of recent trends in economic activity, the economic forecasts set out in Chapter 5, and one-off considerations, namely COVID-19 and its impact on incomes;
- operating expenditure movements reflect current Government policy commitments; and
- the level of Government borrowing is based on exchange rates from Consensus Economics forecasts.

2.5 Fiscal Risks

The IMF defines fiscal risks as 'deviations of fiscal outcomes from what was expected at the time of the budget'. The IMF lists a few sources of fiscal risk, including:

- shocks to macroeconomic variables, such as economic growth, commodity prices, interest rates, or exchange rates; and
- calls on contingent liabilities, obligations triggered by an uncertain event, including:
 - explicit liabilities – those defined by law or contract, such as debt guarantees; and
 - implicit liabilities – moral or expected obligations for the Government, based on public expectations or pressures, such as bailouts of banks or public sector entities.⁴

The Government subscribes to the IMF's Public Expenditure and Financial Accountability (PEFA) program, which provides a framework for strengthening public financial management systems using a range of quantitative indicators to measure performance.⁵

PEFA indicator 10 requires Governments to monitor and report on the fiscal risks associated with:

- contingent liabilities and other general fiscal risks
- public corporations – state-owned enterprises in the Cook Islands context; and
- sub-national Governments – Island Governments of the Pa Enua.

2.5.1 Risk Categories

There are several risks over the forward budget period that could affect the macroeconomic forecasts that underpin the Government's forward fiscal position. These are considered below, in no order.

⁴ IMF (2009), *Fiscal risks: sources, disclosure, and management*. IMF Fiscal Affairs Department. www.imf.org

⁵ See: www.pefa.org/. The Cook Islands Government was assessed in October 2021. The results of an assessment completed in 2021 are available on the PEFA website at <https://www.pefa.org/assessments/summary/4957>.

2.5.1.1 Global Economic Risks

The largest risk to the economic forecasts is a new variant of COVID-19 or other infectious disease that is resistant to vaccines and treatments in either the Cook Islands or our close trading partners – particularly New Zealand. If this were to arise, it would put international travel at risk, hurting the economic recovery.

A second key risk is the impact of rising inflationary pressures globally. Inflation puts pressure on the real incomes of people in the Cook Islands and in the source markets for tourists – reducing the affordability of discretionary spending such as travel. These risks are shared by many nations in the region, and as tourism returns this is the key risk to reverting to a situation without visitors.

A further risk is associated with the finalisation of the ERR measures which continued the ERP support measures for the private sector. This may pose challenges for some businesses, and government will continue monitoring the situation to determine an appropriate course of action as required.

Finally, as the Cook Islands has several loans denominated in US dollars and other international currencies, exchange rate variations are a source of risk due to the potential impact these could have on the Cook Islands debt portfolio. The IMF notes that the impact of an exchange rate depreciation is immediate and can be especially strong when a large share of the debt is in foreign currency. The potential impact of exchange rate movements on the Cook Islands debt position is assessed below.

2.5.1.2 Natural disasters

The IMF cites evidence that direct economic losses from natural disasters have often exceeded 10 percentage points of GDP in developing countries and amounted to a few percentage points of GDP in some advanced countries.

The Cook Islands has a high exposure to disaster risk due to its geographic location in the South Pacific cyclone belt, the remoteness and low-lying nature of many of the outer islands, and the proximity of many buildings and infrastructure services to the coast, particularly on Rarotonga. In addition, the heavy reliance on revenues from the tourism sector makes the economy vulnerable to the impact of disasters.

A destructive weather event, such as a cyclone, would have a significant impact on the Cook Islands' economic outlook, and severely affect the fiscal position. The Asian Development Bank's (ADB) 2016 report on a loan proposal for the Cook Islands Disaster Resilience Program notes that the Cook Islands has periodically experienced major cyclones that have caused substantial economic damage and loss of life (see Table 2-7)⁶.

Table 2-7 Significant cyclones in the Cook Islands

Year	Name	Category	Estimated losses (\$m)	Estimated losses (% of GDP)
1987	Sally	2	24.6	51.6
1997	Martin	3	7.5	7.6
2005	Meena	4	10.0*	5.5
	Nancy	4		
	Olaf	5		
	Percy	5		
2010	Pat	2	7.8	3.2

* Combined estimated losses for all four cyclones in 2005.

⁶ ADB (2016). Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan Cook Islands: Disaster Resilience Program, Project Number: 50212-001. November 2016.

To mitigate the economic risk posed by natural disasters, the Government has put in place a range of structures to reduce its financial exposure to disaster risk, including:

- establishing a disaster emergency trust fund in 2017.
- taking out insurance coverage under the Pacific Catastrophe Risk Assessment and Financing Initiative for cyclones, with a 1-in-10-year probability of occurrence with pay-out based on the assessed severity of a specific cyclone.
- arranging a Disaster Recovery Mechanism loan from the ADB of \$30.3 million, which will only be triggered and drawn down in the event of a catastrophe. This fund is being drawn down to respond to the current COVID-19 economic shock.

2.5.1.3 Contingent liabilities

The Government's contingent liabilities are summarised in Table 2-8.

Table 2-8 Quantifiable contingent liabilities

Category	\$'000
Guarantees and indemnities	50
Uncalled capital	2,500
Legal proceedings and disputes	400
Vested Assets	19,742
Total	22,692

2.5.1.4 Guarantees and indemnities

In 2011/12, Government entered a program under the New Zealand Aid programme focused on Pearl Sector Support. The Cook Islands Pearl Authority managed this programme prior to the Authority's cessation and its functions were shifted to the Ministry of Marine Resources.

Through the program, Government agreed to guarantee up to \$0.5 million as security for loans associated with the Pearl Production Credit Scheme.

The loan program has since discontinued, however, there is outstanding debt on the loan scheme of approximately \$50,000.

2.5.1.5 Uncalled capital

Through the Cook Islands Property Corporation, Government holds \$1.9 million in uncalled shares with the Asian Development Bank (ADB), taking the form of 88 uncalled shares with a par value of USD 13,500 each.

In addition, the Government has been a member of the Asian Infrastructure Investment Bank (AIIB) since 1 June 2020 and holds \$0.6 million in uncalled shares. This takes the form of four uncalled shares with a par value of USD 100,000 each.

2.5.1.6 Legal proceedings and disputes

This contingency consists of various cases and is an estimate of the potential liability (damages and costs) of the Crown known at the time of publication.

2.5.1.7 Vested Assets

The International Companies Act 1981-82 states that all monies realised from the International Company assets vesting in the Registrar must be lodged to the Public Account. There remains a claimable period of six years, post the International Company de-registration for owners of vested assets to place a claim on the funds owed to them. The total contingent liability for vested interests consists of the following tranches:

Table 2-9 Vested Asset Contingent Liability Expiry Schedule

Tranche	Expiry Date	Value
2	20/12/2024	6,500
3	31/10/2026	8,264
4	01/09/2027	4,978
Total		19,742

The above total has been rounded up for conservatism when including in the total of Contingent Liabilities.

2.5.1.8 Financial liabilities relating to Island Governments

The Ministry of Finance and Economic Management (MFEM) has not approved any contract or security from the Island Governments that could result in a potential liability.

There is no preferential treatment of public liability or other liability for the Island Governments and the risk of the Island Governments generating such liabilities is low. No mitigation has been undertaken to minimise the risk any more than for other Government agencies based in Rarotonga.

Unpaid invoices are a potential risk that could be difficult to mitigate without tighter financial controls than those imposed through the Cook Islands Financial Policies and Procedures Manual, the MFEM Act 1995/96 and the Public Expenditure Review Committee and Audit (PERA) Act 1995/96. MFEM is in the process of implementing a Financial Management and Information System (FMIS), which will improve the process of invoice payments and recording keeping however, manual elements inherent to the billing process means that this risk cannot be completely mitigated.

2.5.2 State-owned enterprises

The Cook Islands Government has several State-owned Enterprises (SOEs) under the management of the Cook Islands Investment Corporation (CIIC). They are:

- Airport Authority of the Cook Islands
- Bank of the Cook Islands
- Cook Islands Ports Authority
- Te Aponga Uira (electricity utility in Rarotonga)
- Te Mana Uira (electricity utility in Aitutaki)
- To Tatou Vai Limited (water and sanitation); and
- Avaroa Cable Limited (Manatua cable project).

The key risks associated with SOEs are poor financial performance, and/ or excessive borrowing that can result in Government having to guarantee or potentially restructure the SOEs debt, often at substantial budgetary cost. Poor performance can result from a range of factors including:

- exogenous shocks (unexpected or unpredictable events outside the country's control that can severely impact the economy) – for example, earthquake or tsunami
- lack of incentive to be competitive compared to a private sector enterprise that would go bankrupt as result of protracted poor performance; and
- Government requirements to undertake community obligations.

The Government has put in place a range of measures to mitigate against SOE fiscal risk, including:

- placing all SOEs under the CIIC umbrella, with one of its principal objectives being the efficient, profitable and professional management of SOEs
- ensuring that SOE debt falls under the broader Government debt ceiling target and new debts undergo a Debt Sustainability Analysis prior to approval, as required by the Loan Repayment Fund (LRF) Act 2014; and
- providing for a portion of SOE debt repayments in the Loan Reserve Fund.

2.5.3 Assessing the impact of fiscal and macroeconomic shocks

2.5.3.1 Introduction

The Cook Islands Government uses an analytical fiscal tool – the *Cook Islands Fiscal Tool 2018* – to calibrate and operationalise the revised set of fiscal rules that form the core of the MTFS.

The fiscal tool, which is described in detail in a Technical Paper published on the MFEM website, includes:⁷

- the Calibration Model; and
- the Fiscal & Macro Impact Model:
 - fiscal and macro shocks
 - fiscal multiplier model
 - tax impact.

The operational part of the fiscal tool – the Fiscal & Macro Impact Model – models the interactions between fiscal policy decisions and economic output, and the fiscal impact of economic shocks, within the framework of the revised set of fiscal rules. This is accomplished by running fiscal and macroeconomic shocks through a simple version of the Cook Islands Government accounting framework using fiscal multipliers and tax impact models.

The model provides for three types of shock:

- Fiscal – change in operating expenditure, capital expenditure and/ or revenue
- GDP – models the impact of a direct change in GDP; and
- Arrivals – models the impact of a change in the number of international visitors to the Cook Islands.

The Government also conducts sensitivity analysis on movements in the value of the New Zealand dollar against major trading currencies to assess the impact on gross debt and debt servicing requirements.

The potential impact of a selected range of fiscal and macroeconomic shocks on the 2022/23 Budget profile using the Fiscal Tool, and the impact of exchange rate fluctuations on Crown debt are shown below.

Revenue shock

Two revenue shocks are applied, low and high, increasing and decreasing the forecasts by a simultaneous amount. These shocks are applied to the base case as presented above, which has already factored in the expected recovery path from the impacts of COVID-19.

Table 2-10 presents the low revenue case, with revenues falling by 10 to 20 per cent per year over the modelling period. The fiscal balance breaches the 1.9 per cent of GDP guide⁸ in all years. While the base case almost sees a return to being within this guideline in 2023/24, this does not occur over the four years once the shock is applied – with 2025/26 getting the closest with a fiscal balance of -2.7 per cent of GDP.

Table 2-10 Low revenue shock

		2022/23	2023/24	2024/25	2025/26
Change in OpEx (\$m)		0	0	0	0
Change in Capex (\$m)		0	0	0	0
Change in Tax Revenue (\$m)		-17.4	-23.4	-28.0	-34.0
Fiscal balance (% of GDP)	Base	-7.3	-0.9	0.4	2.3
	Shock	-10.2	-4.6	-3.8	-2.7

⁷ See: http://www.mfem.gov.ck/images/CEO/MTFS_Technical_paper_Fiscal_Tool_2018.pdf.

⁸ This measure is no longer a Fiscal Rule under the updated MTFF, however it is used as a guideline

Table 2-11 presents the high revenue case, with revenues higher by 10 to 20 per cent per year over the modelling period. The key result is a strengthening of the fiscal balance, now posting fiscal surpluses from 2023/24 onward.

Table 2-11 High revenue shock

		2022/23	2023/24	2024/25	2025/26
Change in OpEx (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		17.4	23.4	28.0	34.0
Fiscal balance (% of GDP)	Base	-7.3	-0.9	0.4	2.3
	Shock	-4.1	2.8	4.8	7.3

Operating shock

A higher-than-expected operating expenditure shock is applied, assuming a 10 per cent increase above the estimates over the forward period. Table 2-12 presents the impact of the additional expenditure over the modelling period. The fiscal balance breaches the -1.9 per cent of GDP guideline in 2023/24, before complying thereafter – one year slower than the base case. However, there is a positive impact on GDP of about 2.3 per cent or \$15.5 million by 2025/26.

Table 2-12 High Opex Shock

		2022/23	2023/24	2024/25	2025/26
Change in OpEx (\$m)		19	18	18	18
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		0.7	2.3	4.2	4.5
Fiscal balance (% of GDP)	Base	-7.3	-0.9	0.4	2.3
	Shock	-10.2	-3.3	-1.6	0.3
Change in nominal GDP	%	1.0	2.0	2.4	2.3
	\$m	5.8	12.5	15.4	15.5

Capital Shock

A lower-than-expected capital expenditure shock is applied, assuming a 20 per cent reduction in the estimates over the forward period. Table 2-13 presents the impact of the reduced expenditure over the modelling period. The negative impact on GDP of about \$11.1 million by 2025/26 has a flow-on effect on revenue of about \$3.3 million. The net effect on the fiscal balance is slightly positive, with the capital expenditure reduction outweighing the fall in revenue.

Table 2-13 Low Capex Shock

		2022/23	2023/24	2024/25	2025/26
Change in OpEx (\$m)		0	0	0	0
Change in capex (\$m)		-7	-4	-3	-3
Change in tax revenue (\$m)		-0.5	-1.8	-3.2	-3.3
Fiscal balance (% of GDP)	Base	-7.3	-0.9	0.4	2.3
	Shock	-6.1	-0.6	0.5	2.2
Change in nominal GDP	%	-0.7	-1.6	-1.8	-1.6
	\$m	-4.0	-9.9	-11.8	-11.1

GDP Shock

A low GDP shock is applied, assuming a 5 per cent decrease on the forecast for each year of the forward period, in in Table 2-14. Tax revenue falls by up to \$18.0 million in 2025/26, causing the fiscal balance to deteriorate and to breach the -1.9 per cent of GDP guide 2023/24, before coming back within the range from 2024/25. The GDP impact in 2025/26 is minus 7.4 per cent, or a reduction of \$50.9 million.

Table 2-14 Low GDP Shock

		2022/23	2023/24	2024/25	2025/26
Change in OpEx (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		-3.5	-7.8	-13.0	-18.0
Fiscal balance (% of GDP)	Base	-7.3	-0.9	0.4	2.3
	Shock	-8.1	-2.3	-1.7	-0.4
Change in nominal GDP	%	-4.3	-6.0	-7.3	-7.4
	\$m	-24.2	-38.0	-47.7	-50.9

Arrivals shock

A low international visitor arrivals shock is applied, assuming a 5 per cent decrease on the forecast for each year of the forward period. Table 2-15. Tax revenue falls by \$7.2 million per year by 2025/26, which reduces the fiscal balance by approximately a percentage point by the end of the forward estimates. This is not a large enough swing to breach the fiscal balance guideline, but does move a fiscal surplus in 2024/25 to a fiscal deficit. The impact on GDP is substantial, with a reduction of 3.2 per cent in 2025/26.

Table 2-15 Low Arrivals Shock

		2022/23	2023/24	2024/25	2025/26
Change in OpEx (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		-1.2	-3.1	-5.4	-7.7
Fiscal balance (% of GDP)	Base	-7.3	-0.9	0.4	2.3
	Shock	-7.5	-1.4	-0.4	1.2
Change in nominal GDP	%	-1.5	-2.5	-3.1	-3.2
	\$m	-8.6	-15.5	-20.2	-22.0

Severe Arrivals shock

In the context of the COVID-19 experience, a severe low international visitor arrivals shock is applied, assuming a 50 per cent decrease on the forecast for 2022/23, and a 25 per cent decrease in 2023/24. Tax revenue falls by almost \$25 million per year by 2024/25, increasing to \$26.9 million in 2025/26, which reduces the fiscal balance by 1.7 percentage points in that year. The impact on GDP is more muted than it often would be in the earlier years, due to the reduced visitors as a result of the pandemic, but is still around 15 per cent of GDP in each of the shocked years.

The lack of change in operating expenditure does not reflect any specific decisions which may be taken by government if this situation were to occur – such as the Economic Response Plan was enacted in response to the pandemic. Table 2-16 presents the impact of the reduction in arrivals.

Table 2-16 Severe Low Arrivals Shock

		2022/23	2023/24	2024/25	2025/26
Change in OpEx (\$m)		0	0	0	0
Change in capex (\$m)		0	0	0	0
Change in tax revenue (\$m)		-12.4	-21.9	-24.7	-26.9
Fiscal balance (% of GDP)	Base	-7.3	-0.9	0.4	2.3
	Shock	-11.0	-5.2	-3.6	-1.7
Change in nominal GDP	%	-15.1	-15.0	-6.3	-1.8
	\$m	-85.5	-94.7	-41.3	-12.1

3 Government Financial Statistics Operating Statement

The Government Financial Statistics (GFS) Operating Statement provides a breakdown of the Government's financial performance. All funds managed at the general Government level, such as the Loan Reserve fund and Official Development Assistance (ODA) are also included in the statement.

Table 3-1 GFS Statement

Statement of Government Operations	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
REVENUE	183,446	229,287	205,044	259,104	197,737	194,606
Taxes	86,520	105,991	107,557	139,310	157,705	162,703
Social contributions	0	0	0	0	0	0
Grants	21,578	53,814	31,309	91,452	19,580	11,151
<i>Current</i>	10,869	25,341	18,575	26,305	18,715	11,151
<i>Capital</i>	10,709	28,473	12,734	65,148	864	0
Other revenue	75,348	69,481	66,178	28,342	20,453	20,752
EXPENSE	248,108	231,745	215,260	213,347	197,556	189,120
Compensation of employees	69,686	74,821	69,474	76,393	76,731	76,770
Use of goods and services	129,403	95,859	91,026	69,220	53,964	46,153
Depreciation	12,676	13,931	13,055	13,767	13,783	13,783
Interest	0	4,051	3,980	6,780	7,216	6,840
Subsidies	4,675	9,967	4,372	16,467	14,919	14,419
Grants	0	0	0	0	0	0
Social benefits	22,951	23,642	23,766	24,473	24,696	24,908
Other expense	8,717	9,474	9,588	6,248	6,248	6,248
NET OPERATING BALANCE	-64,661	-2,458	-10,216	45,757	181	5,486
<i>Plus</i> NON CASH APPROPRIATIONS						
Depreciation	12,676	13,931	13,055	13,767	13,783	13,783
CASH SURPLUS/(DEFICIT) FROM OPERATING TRANSACTIONS	-51,985	11,473	2,839	59,523	13,964	19,269
CASH TRANSACTIONS IN NONFINANCIAL ASSETS						
Net Cash Applied to the Acquisition of Fixed Assets	47,713	66,274	40,474	99,308	19,121	15,897
Gross transactions in Non-Financial Assets	60,389	80,205	53,528	113,074	32,904	29,679
Less Non Cash Transactions in Non-Financial Assets (Depreciation)	-12,676	-13,931	-13,055	-13,767	-13,783	-13,783
NET (BORROWING)/LENDING	-99,699	-54,801	-37,635	-39,784	-5,158	3,372
CASH APPLIED TO THE NET ACQUISITION OF FINANCIAL ASSETS	-19,235	-8,405	8,807	-45,505	-15,499	-8,821
Domestic Transactions	-19,235	-8,405	8,807	-45,505	-15,499	-8,821
Foreign Transactions	0	0	0	0	0	0
CASH APPLIED TO THE NET INCURRENCE OF LIABILITIES	-80,465	-46,397	-46,342	5,815	10,440	12,294
Domestic Transactions	0	0	0	0	0	0
Foreign Transactions	-80,465	-46,342	-46,342	5,815	10,440	12,294
NET CASH FINANCING TRANSACTIONS	-99,699	-54,802	-37,535	-39,689	-5,060	3,473
<i>Statistical discrepancy</i>	-1	0	100	95	98	101

3.1 GFS Net Operating Balance

The GFS net operating balance is equal to operating revenue less operating expenditure. The GFS net operating balance in 2021/22 is estimated at a deficit of \$10.2 million. This represents an increase in the net operating deficit reported at the time of the 2021/22 HYEUFU by \$7.7 million.

This is predominantly due to the reduction in estimated revenues received of \$205.0 million, \$24.3 million lower than the \$229.3 million reported at the time of the 2021/22 HYEUFU . Forecast operating expenditures have also decreased by \$16.0 million from \$231.7 million at the 2021/22 HYEUFU to \$215.2 million.

3.1.1 GFS operating revenue

Table 3-2 Total GFS revenue (\$'000)

GFS Operating Revenue	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Taxes	86,520	105,991	107,557	139,310	157,705	162,703
Social contributions	0	0	0	0	0	0
Grants	21,578	53,814	31,309	91,452	19,580	11,151
<i>Current</i>	10,869	25,341	18,575	26,305	18,715	11,151
<i>Capital</i>	10,709	28,473	12,734	65,148	864	0
Other revenue	75,348	69,481	66,178	28,342	20,453	20,752
Total GFS Revenue	183,446	229,287	205,044	259,104	197,737	194,606

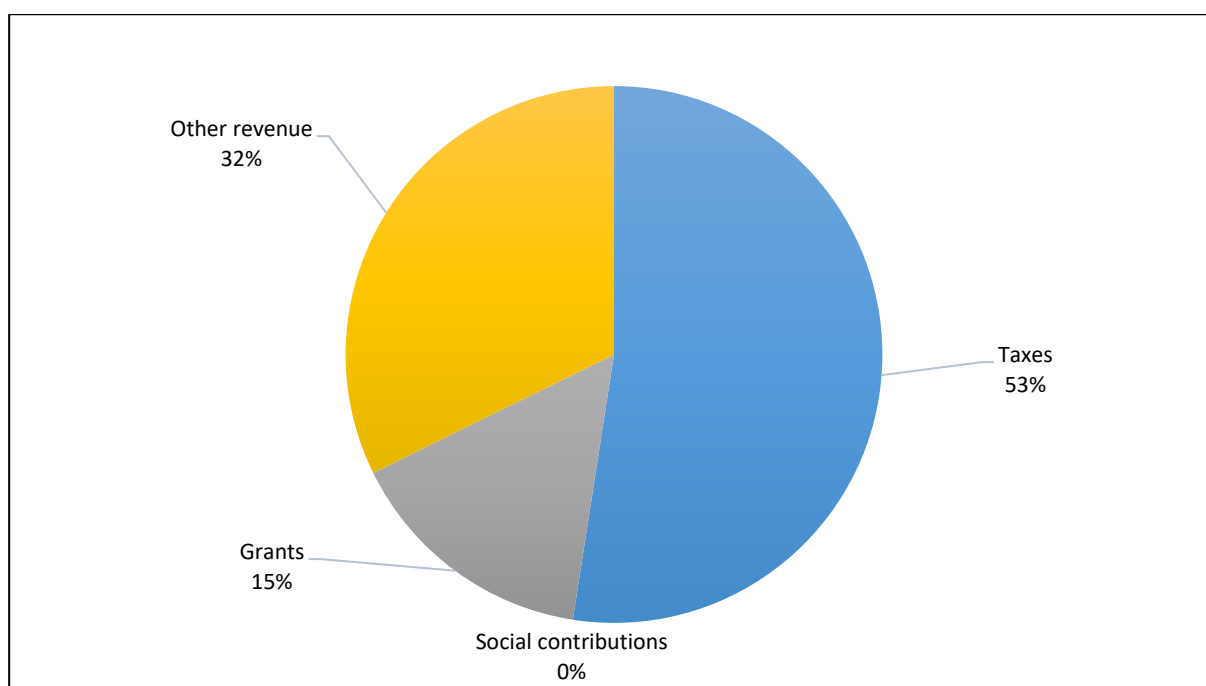
As shown in Table 3-2, operating revenue for 2021/22 largely consists of taxation receipts at 53.0 per cent, followed by other revenue at 32.0 per cent.

GFS Operating revenues in 2021/22 totalled \$205.0 million, representing a reduction in estimated revenues received compared to the 2021/22 HYEUFU of \$229.3 million. This is predominantly due to a decrease in ODA grants of \$22.5 million compared to HYEUFU.

These revenue streams help finance the ongoing operational expenditure of Government, with surpluses used for investing into activities such as infrastructure development projects or cash reserves.

Over the medium-term operating revenues are expected to recover, with tax revenue collections projected to increase to \$162.7 million by 2024/25. This increase will offset the projected decreases in grant revenues and other revenues from 2023/24 onwards, noting that contractual agreements on grants typically come to an end after 3 years.

Figure 3-1 Breakdown of GFS Revenue



3.1.2 GFS Operating Expenditure

Table 3-3 highlights the increased expenditure in 2021/22 which is principally in the ‘Use of goods and services’ category, capturing the additional expenditure of the extension of the ERP due to the unexpected border closure in September (with reinstatement of parts of the ERP) and capital expenditure.

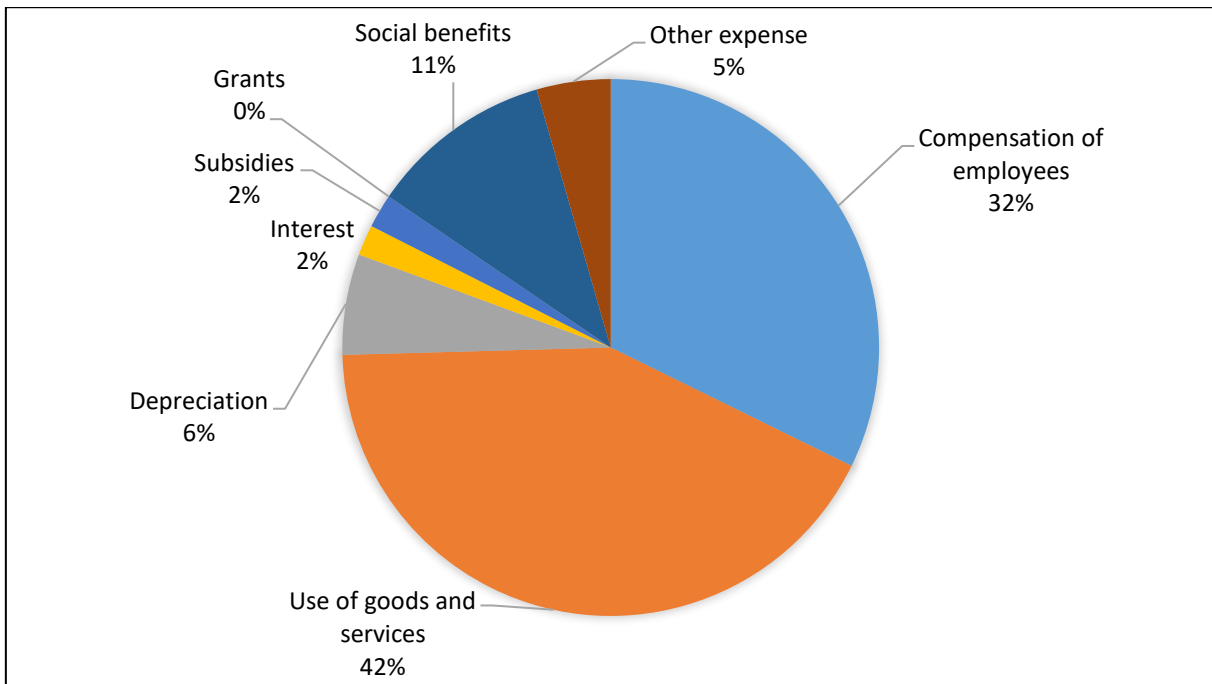
Table 3-3 Total GFS expenditure (\$'000)

GFS Operating Expenditure	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Compensation of employees	69,686	74,821	69,474	76,393	76,731	76,770
Use of goods and services	129,403	95,859	91,026	69,220	53,964	46,153
Depreciation	12,676	13,931	13,055	13,767	13,783	13,783
Interest	0	4,051	3,980	6,780	7,216	6,840
Subsidies	4,675	9,967	4,372	16,467	14,919	14,419
Grants	0	0	0	0	0	0
Social benefits	22,951	23,642	23,766	24,473	24,696	24,908
Other expense	8,717	9,474	9,588	6,248	6,248	6,248
Gross Expenditure	248,108	231,745	215,260	213,347	197,556	189,120
Less Current ODA	10,869	25,341	18,575	26,305	18,715	11,151
Underlying Expenditure	237,238	206,404	196,685	187,043	178,841	177,969

Total gross operating expenditure is estimated at \$248.1 million in 2020/21, this is expected to decrease annually over the medium-term to the 2024/25 fiscal year. This is the result of short-term funding coming to an end including the ERR Administered Fund and the COVID-19 Medical Response Fund.

Use of goods and services is the largest operating expenditure for Government making up approximately 42.0 per cent of total operating expenditure in 2021/22 (52.2 per cent in 2020/21) and capturing expenditure related to the Economic Recovery Roadmap (ERR). This is followed by expenditure through compensation of employees at 32.0 per cent (28.1 per cent in 2020/21).

Figure 3-2 GFS Operating Expenditure (percentage)



Compensation of Employees

Expenditure on compensation of employees is estimated to be \$69.5 million in 2021/22, which is slightly lower than the estimates reported at the time of the 2021/22 HYEPU. This is mainly due to personnel savings within Government agencies as a result of vacant positions.

Use of Goods and Services

The total expenditure for use of goods and services differs to the amounts reported in other chapters of the PEFU Estimates as it includes recurrent ODA expenditures over the medium-term.

\$91.0 million is estimated to be spent on use of goods and services in 2021/22 representing a slight decrease to the \$95.9 million reported at the time of the HYEPU. This is predominately due to expected savings within Government agency budgets at the end of the 2021/22 fiscal year.

Consumption of Fixed Capital

Total depreciation over the medium-term is estimated to be \$13.8 million. This is mainly driven by technical adjustments made to Agency depreciation baselines.

Debt Servicing Payments

Debt interest contributions to the Loan Repayment Fund (LRF) is estimated at \$6.8 million in 2022/23, an increase of \$2.8 million compared to the 2021/22 estimated actual (totalling \$4.0 million), mainly due to changes in foreign exchange rates.

Interest expenses in 2023/24 is estimated to increase before stabilising over the forward years on account of additional debt drawn to support Government's operating expenses, including the Economic Recovery Roadmap and COVID-19 Medical Response Fund.

3.2 GFS Non-Operating Items

Cash transactions in non-financial assets are transactions relating to capital. More details on specific capital projects are outlined in the Capital Expenditure Chapter. This spending includes investment into infrastructure, the purchase of plant and equipment, and investments in ICT by both the Crown and development partners. Total purchases of non-financial assets (excluding depreciation) are estimated at \$53.5 million in 2021/22, \$26.7 million lower than what was anticipated at the time of the 2021/22 HYEPU which is mainly due to the delay in the implementation of key projects for various reasons.

Cash transaction in non-financial assets are forecast to decrease in the forward years due to the reduction in ODA Capital Grant agreements. As shown above, ODA funding is agreed over a shorter forward time-period.

3.2.1 Net Borrowing / Lending and Cash Financing Transactions

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

The net financing requirement is \$37.6 million in 2021/22, and will be funded by a mixture of revenues, cash reserves and the draw-down of loans.

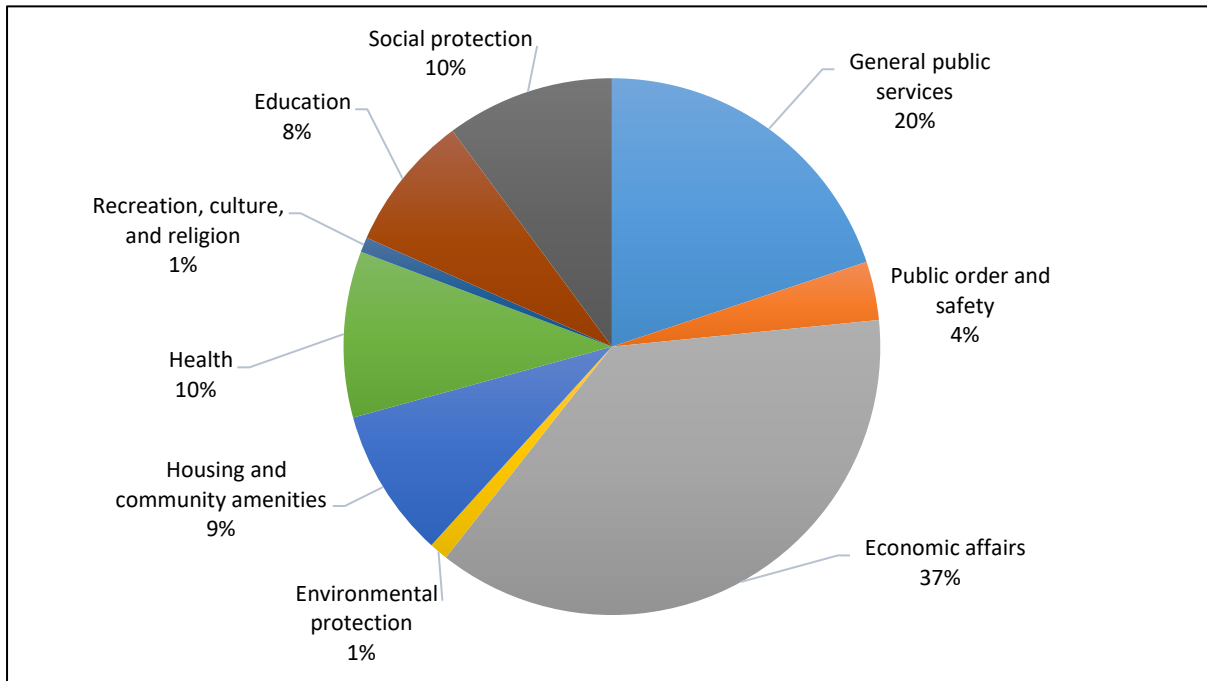
There are some smaller movements not captured in the GFS schedules, with most of these relating to the classification of reserves in the financial schedules. Most of the statistical discrepancy shown in the GFS operating Statement relates to timing issues between the projects' implementation and the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

3.3 Classification of Functions of Government

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

The COFOG has 10 main functions at the highest level and 69 functions at the second (sub-functional) level.

Figure 3-3 Classification of Functions of Cook Island Government

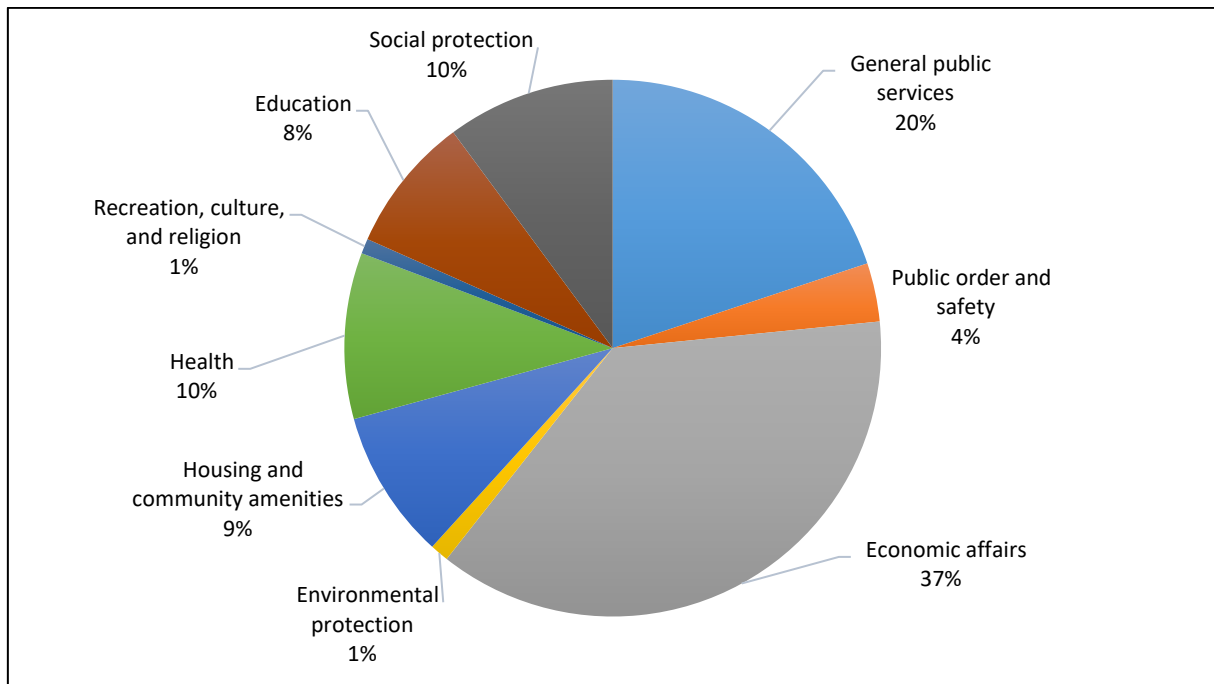


Economic affairs make up 37 per cent (or 91.5 million) of total public expenditure, predominantly due to the financing of the ERR in 2021/22, totalling \$39.5 million (classified under general economic, commercial and labour affairs). Other expenditure areas under Economic affairs include transport expenditure of \$11.0 million and tourism expenditure of \$7.2 million.

General public services is the second largest area of public spending (20.0 per cent), comprising of expenditure relating to the executive and legislative functions of Government, financial and fiscal affairs, and external affairs which totals \$48.9 million in 2021/22.

Table 3-4 classifies the Budget to the sub-functional level for both Cook Islands Government spending and ODA, excluding categories without expenditure.

Figure 3-3 Classification of Functions of Cook Island Government



Economic affairs make up 37 per cent (or 91.5 million) of total public expenditure, predominantly due to the financing of the ERR in 2021/22, totalling \$39.5 million (classified under general economic, commercial and labour affairs). Other expenditure areas under Economic affairs include transport expenditure of \$11.0 million and tourism expenditure of \$7.2 million.

General public services is the second largest area of public spending (20.0 per cent), comprising of expenditure relating to the executive and legislative functions of Government, financial and fiscal affairs, and external affairs which totals \$48.9 million in 2021/22.

Table 3-4 Classification of Functions of Cook Island Government (\$000's)

Function of Government	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Cook Islands Government (CIG) Expenditure						
General public services	36,417	46,420	41,738	49,223	48,147	47,896
Executive and legal organs, financial, fiscal, external affairs	28,633	33,441	29,248	33,900	31,227	31,377
General services	7,023	7,938	7,587	7,553	8,688	8,663
R&D General public services	26	26	26	26	26	26
General public services	735	964	897	964	989	989
Public debt transactions	0	4,051	3,980	6,780	7,216	6,840
Public order and safety	10,248	10,996	8,683	10,511	10,674	10,674
Police services	5,837	5,866	4,471	5,666	5,721	5,721
Law courts	3,694	4,217	3,299	3,919	4,009	4,009
Prisons	718	914	914	926	943	943
Economic affairs	125,944	89,654	80,170	64,465	52,420	51,038
General economic, commercial, and labor affairs	89,656	43,043	48,593	14,306	10,531	10,331
Agriculture, forestry, fishing, and hunting	5,515	5,356	4,615	5,372	5,307	5,307
Fuel and energy	1,595	3,109	3,008	1,778	1,227	2,027
Mining, manufacturing, and construction	4,027	6,745	4,656	5,529	1,970	2,130
Transport	15,434	22,070	11,018	27,840	23,636	21,506
Communication	664	559	550	813	903	891
Tourism	8,518	8,196	7,228	8,246	8,266	8,266
R&D Economic affairs n.e.c.	506	448	376	452	452	452
Economic affairs n.e.c.	30	128	128	128	128	128
Environmental protection	2,145	2,130	1,966	2,138	2,178	2,178
Waste management	213	241	157	241	241	241
Protection of biodiversity and landscape	297	222	222	222	222	222
Environmental protection n.e.c.	1,635	1,667	1,586	1,675	1,715	1,715
Housing and community amenities	24,487	23,578	22,135	20,828	15,438	13,588
Community development	8,369	11,427	11,319	10,080	6,030	5,180
Water supply	11,204	8,153	6,866	6,653	5,389	4,389
Housing and community amenities n.e.c.	4,914	3,998	3,950	4,095	4,020	4,020
Health	23,101	25,236	23,926	26,655	20,605	20,644
Medical products, appliances, and equipment	4,629	4,176	4,035	5,495	495	495
Outpatient services	2,341	2,750	2,750	2,860	2,860	2,860
Hospital services	1,204	1,151	1,151	1,151	1,151	1,151
Public health services	69	0	0	0	0	0
Health n.e.c.	14,859	17,158	15,989	17,148	16,098	16,137
Recreation, culture, and religion	1,944	2,185	2,130	2,008	2,138	2,138
Recreational and sporting services	287	417	406	441	441	441
Cultural services	1,657	1,768	1,724	1,567	1,697	1,697
Education	20,068	20,405	20,087	20,863	20,793	20,793
Pre-primary and primary education	2,511	2,810	2,883	2,663	2,663	2,663
Tertiary education	2,252	2,399	2,343	2,389	2,389	2,389
Education n.e.c.	15,305	15,195	14,861	15,811	15,741	15,741
Social protection	22,920	23,631	23,620	24,512	24,705	24,916
Sickness and disability	446	476	476	473	474	475
Old age	12,809	13,026	13,026	13,984	14,128	14,264
Family and children	7,139	7,537	7,537	7,413	7,490	7,565
Housing	58	85	85	84	84	84
Social exclusion n.e.c.	48	26	26	26	26	26
Social protection n.e.c.	2,420	2,482	2,471	2,532	2,502	2,502
Total CIG Expenditure	267,275	244,234	224,455	221,203	197,098	193,865
Official Development Assistance (ODA) Expenditure*						
General public services	7,375	24,854	7,188	21,666	16,605	9,783
Economic affairs	11,364	21,912	11,364	60,680	846	323
Environmental protection	800	1,400	800	1,648	100	100
Housing and community amenities	0	811	0	1,167	370	352
Health	520	2,950	708	5,596	1,243	379
Recreation, culture, and religion	94	90	94	90	90	90
Education	125	128	125	0	0	0
Social protection	1,300	1,671	1,300	605	325	125
Total ODA Expenditure	21,578	53,814	21,578	91,452	19,580	11,151
TOTAL PUBLIC EXPENDITURE	288,853	298,049	246,033	312,655	216,677	205,016

4 Economic Update

4.1 Overview

4.1.1 Performance

The past two years have been extremely challenging for the Cook Islands economy. With tourism responsible for around 65 per cent of the activity in the economy, the necessary border closures as a result of the COVID-19 pandemic led to the largest contraction in the Cook Islands' history. Looking forward there is good news, with borders now open recovery is on the horizon.

The pandemic saw an end to six years of continued economic growth for the Cook Islands, with average incomes rising by over eight per cent over that time. With the third quarter of 2019/20 seeing the rapid spread of COVID-19 and the closure of the Cook Islands border, GDP fell 5.2 per cent in the final quarter of the year. The largest impact was seen in 2020/21 with a further 18.2 per cent fall as borders remained closed for almost 11 months, and economic activity was preserved largely through government action in the form of the ERP.

Figure 4-1 Annual percentage change in Real GDP

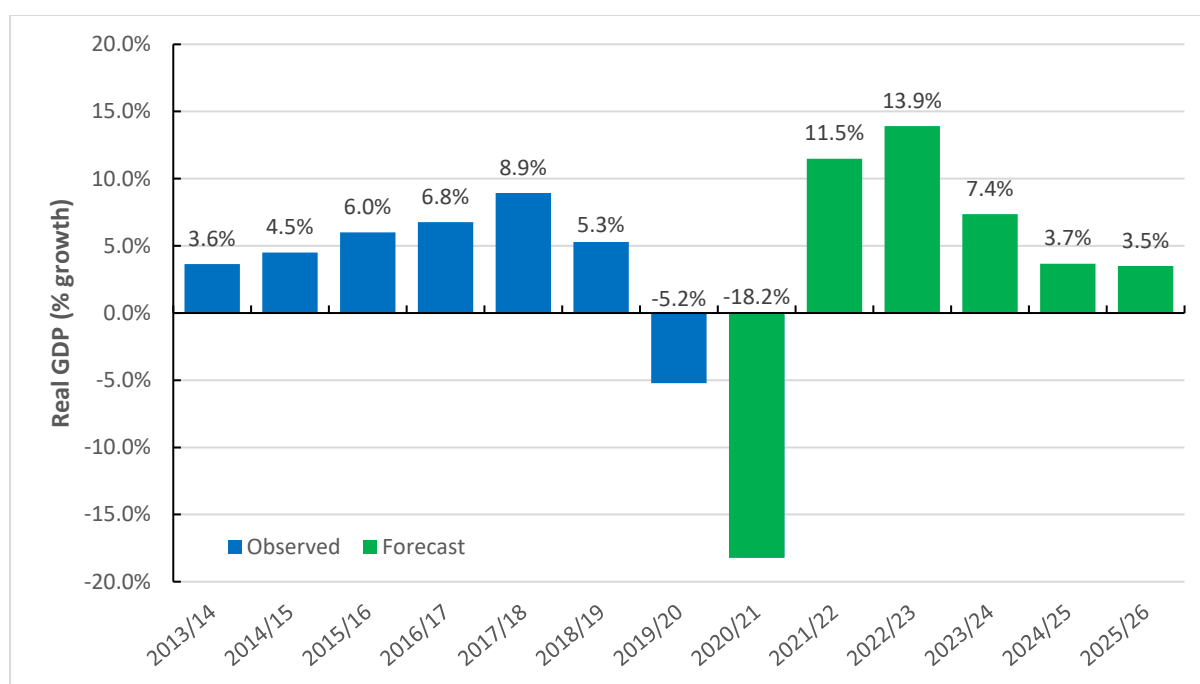


Figure 4-1 demonstrates the magnitude of this fall after five years of strong growth before the crisis driven by record tourist arrivals. The growth primarily came from the New Zealand and Australian markets, which increased by 23.0 and 21.9 per cent respectively in the three years to 2018/19.

This strong economic performance to 2019 resulted in the Cook Islands graduating from the Organisation for Economic Cooperation and Development's (OECD) Official Development Assistance (ODA) eligibility list from January 2020.

With the growth being closely tied to the tourism sector, the border closures impacted the Cook Islands' economy extremely severely, triggering the largest ever experienced by the Cook Islands, with

approximately 22 per cent of GDP wiped-off over a two-year period,⁹ despite government stimulus over the same period equivalent to over 26 per cent of pre-crisis GDP. Through this period, government activity and the finance industry were the key economic drivers in the government support, in the form of the Wage Subsidy that helped protect employment of over 3,000 workers per month.

Early 2021/22 provided the Cook Islands' first step on the path to recovery, with growth of 11.5 per cent due to visitors returning to the islands with the reopening of the border. This has enabled the beginning of the unwinding of the extensive government support measures.

Table 4-1 provides a summary of the key economic indicators for the budget appropriation year and the three forward years of the 2022-23 Budget.

Table 4-1 Summary of Economic Indicators

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Projected	Projected	Projected
Economic Activity						
Nominal GDP (\$'000)	431,776	483,987	567,029	629,687	651,912	683,125
Percentage change (YOY)	-14.6	12.1	17.2	11.1	3.5	4.8
Real GDP (2016 prices, \$'000)	411,799	459,124	523,008	561,567	582,134	602,471
Percentage change (YOY)	-18.2	11.5	13.9	7.4	3.7	3.5
Inflation (CPI)						
Percentage change (YOY)	2.2	4.3	3.9	3.2	0.6	1.6
Construction/Capital Investment						
Value-added (\$'000)	15,410	11,012	12,730	14,260	14,923	15,631
Productive Sector Indicators						
Visitor Arrivals	7,538	50,341	121,402	165,583	169,978	170,911
Percentage change (YOY)	-93.9	567.8	141.2	36.4	2.7	0.6
Estimated Visitor Expenditures (\$'000)	18,310	92,789	229,290	312,926	321,229	322,967
Agriculture value-added (\$'000)	10,282	10,426	9,528	9,080	9,726	10,530
Fisheries value-added (\$'000)	1,460	1,480	1,352	1,289	1,381	1,495
External Sector						
Merchandise Trade Balance (\$'000)	-142,467	-150,238	-186,042	-212,080	-223,865	-232,821
Services Trade Balance (\$'000)	-313	73,717	205,865	286,005	293,209	294,292
Exchange Rate (USD/NZD Average)	0.69	0.69	0.68	0.69	0.68	0.68

4.1.2 Outlook

The key factor for the Cook Islands immediate economic outlook is recovery from the COVID-19 pandemic and associated recession. In the immediate-term the recovery will be determined by how quickly visitor numbers return toward those prior to the pandemic. With the Cook Islands now open to the world (via New Zealand) and public health restrictions easing, the early signs are promising – but the recovery will not happen overnight.

The Government's fiscal stance remained quite expansionary in 2021/22, with continued expenditure through the Economic Recovery Roadmap (ERR) on top of normal government expenditure. From 2022/23 this is expected to move toward a more neutral stance as the economy returns to a more normal footing and short-term stimulus is unwound. Across the forward estimates the economic

⁹ This uses the change from 2018/19 to 2020/21 in real GDP.

support of measures from the ERP will be rolled back in favour of longer-term reforms and the stimulatory impact of key infrastructure projects.

Inflation is a key variable of interest, with global pressures rising due to supply-line constraints and the impact on commodity markets from the war in Ukraine. This is expected to flow through to the Cook Islands, with higher inflation expected in the short-term as these global pressures are paired with constraints in the Cook Islands to push prices up. 2021/22 is expected to see price growth of 4.3 per cent, with 3.9 per cent in 2022/23 and 3.2 per cent in 2023/24.

4.1.3 Changes since the 2021/22 HYEUFU

The HYEUFU forecasts were finalised in November 2021, and relied in particular on conservative assumptions around the return of tourists. Early signs for April 2022 onwards show positive developments – including being open to non-New Zealand markets earlier than originally expected.

The relatively minor differences between HYEUFU and this Forecast are primarily caused by movements in world prices, in particular of fuel, flowing through into the Cook Islands economy. These price increases will have the effect of suppressing economic activity slightly – particularly in domestic consumption.

Table 4-2 Real GDP growth (percentage change, year on year)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
2021-22 HYEUFU Forecasts	-5.2%	-18.2%	11.8%	13.0%	8.7%	4.1%	3.5%
2021/22 PEFU Forecasts	-5.2%	-18.2%	11.5%	13.9%	7.4%	3.7%	3.5%

4.2 Cook Islands Economy

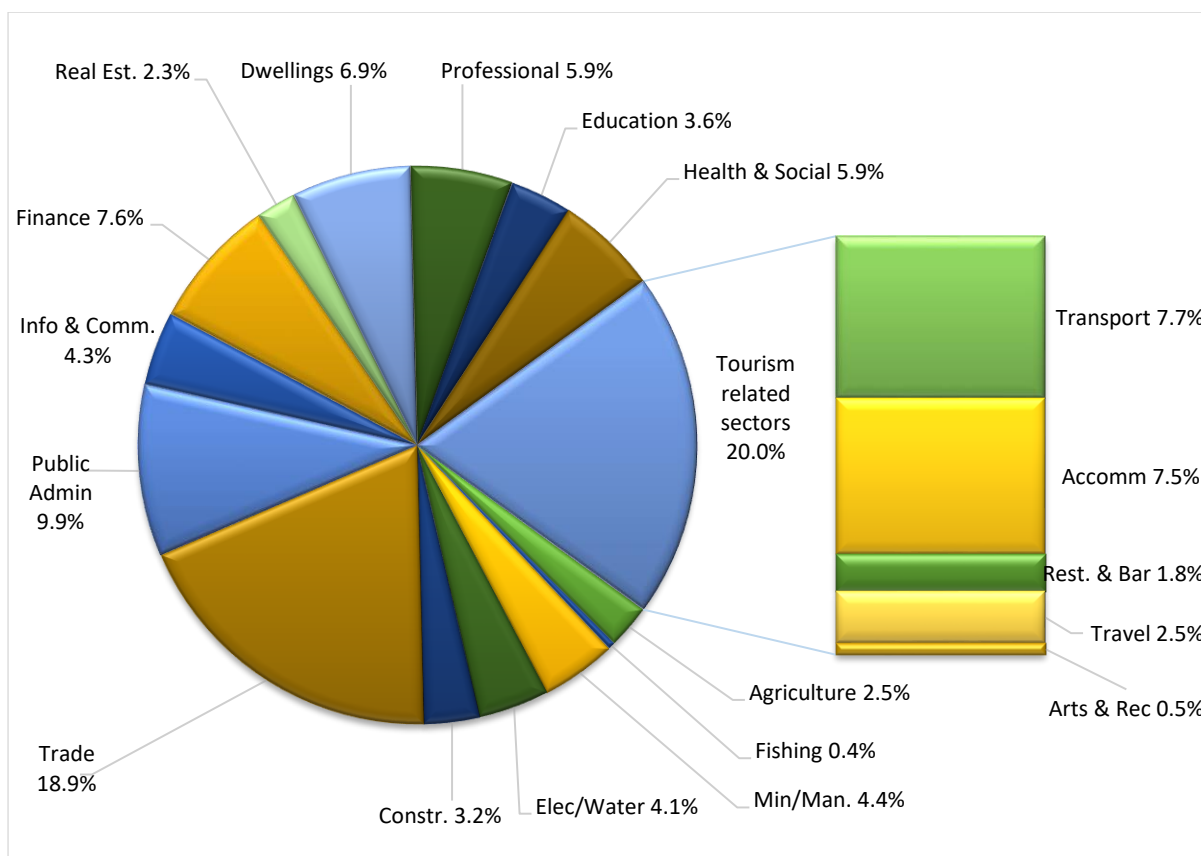
4.2.1 Structure and Performance

The Services sector¹⁰ accounts for a large proportion of activity in the Cook Islands' economy, with 85.4 per cent of 2021 nominal GDP in this sector. This sector of the economy includes key industries such as Trade (18.9 per cent in 2021), Accommodation (7.5 per cent), and Public Administration (9.9 per cent).

Figure 4-2 shows the Cook Islands economy by industry in 2021 and the dominance of the services sector, and how other sectors such as Agriculture (2.5 per cent) and Construction (3.2 per cent) make up smaller, but strategically important parts of the economy. The 2021 year also shows that 20 per cent of GDP is closely tourism-related, which is down from 34 per cent in the 2019 year, due to the effects of the pandemic.

¹⁰ The 'services sector' comprises Trade, Transportation, Accommodation Services, Restaurants and Bars, Information and Communication, Finance and Insurance, Real Estate, Ownership of dwellings, Travel Agents & Tour Operators, Professional & Administrative Services, Public Administration, Education, Human Healthcare and Social Work and Arts, Recreation & Other Services.

Figure 4-2 Cook Islands economy by industry, 2021



In the 2021 calendar year, the largest contribution to the early signs of tentative recovery has been the Accommodation sector, which contributes 4.4 percentage points of the 7.6 per cent total (see Figure 4-3). This is to be expected as this sector was the hardest hit in 2020, so this growth is largely a rebound. Other sizable contributions to growth are from Electricity (1.7 percentage points), Manufacturing (1.6 percentage points) and Public Administration (1.4 percentage points). Partially offsetting the growth are declines from Healthcare and Social Work (2.8 percentage points – again a reflection on the ‘unusual’ 2020 number) and Information and Communications (1.5 percentage points).

Figure 4-3 Contribution to 2021 nominal growth (percentage point)

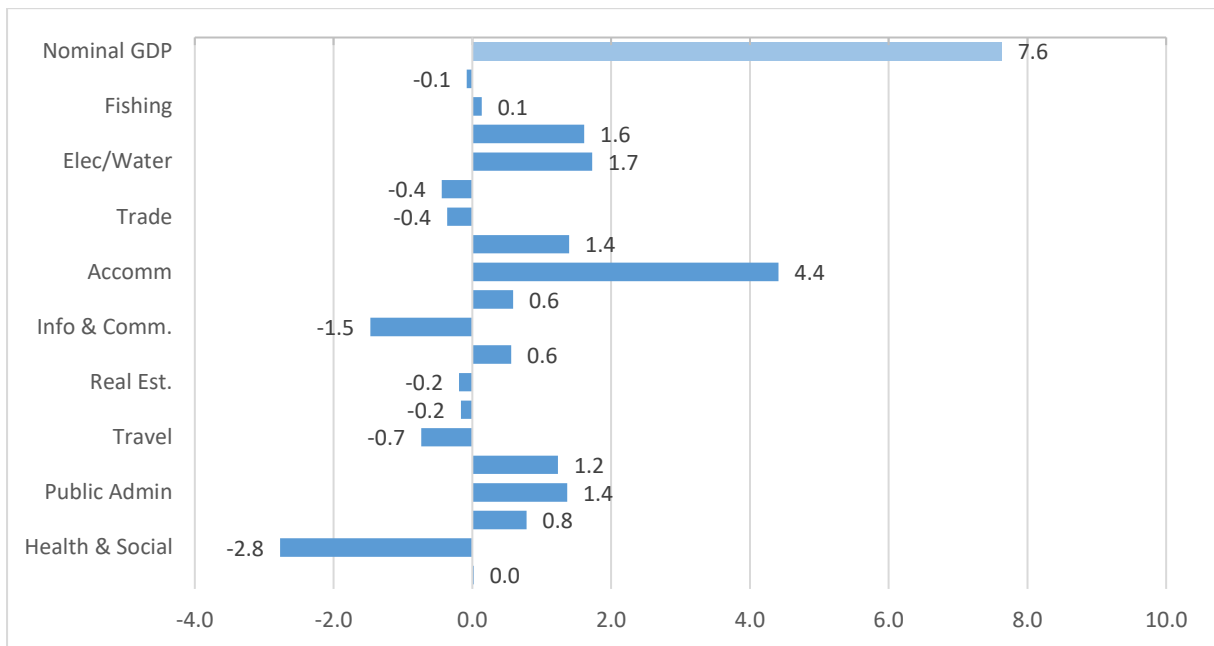
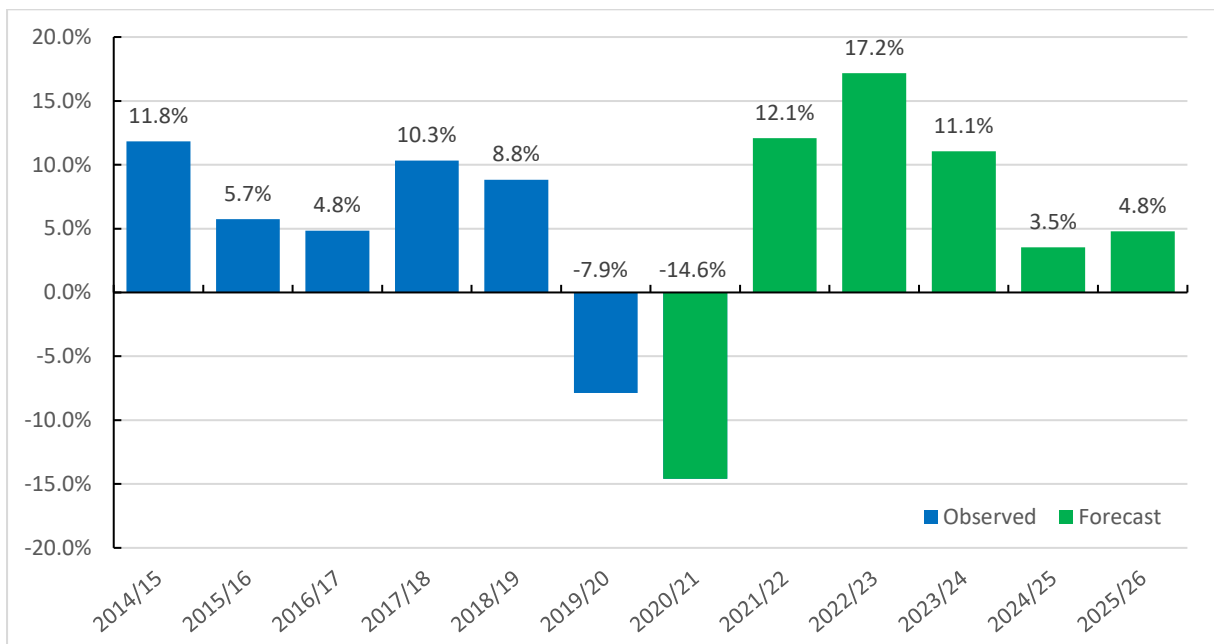


Figure 4-4 Annual change in nominal GDP (percentage)



4.3 Consumer price index

Inflation in the Cook Islands is measured by the consumer price index (CPI), which the Cook Islands Statistical Office reports on a quarterly basis. Aggregate inflation had fallen steadily since 2011/12, from 2.8 per cent per year then to negative 0.1 per cent in 2016/17, and remained around zero for the next two years. CPI has shown growth over 2019/20 and 2020/21, with an average of 0.7 per cent over 2019/20, increasing to 2.2 per cent in 2020/21, with partial indicators for the 2021/22 year showing further increases (Figure 4-5).

In the year to December 2021 (latest available data), price growth has averaged 3.1 per cent, with key drivers being the Transport (9.8 per cent growth) and Food and Non-alcoholic beverages (4.4 per cent growth) sectors. These were partially offset by price falls in the very small Miscellaneous Goods & Services sector of 2.7 per cent.

Figure 4-5 CPI, year average, 2011-12 to 2020-21 (percentage change)

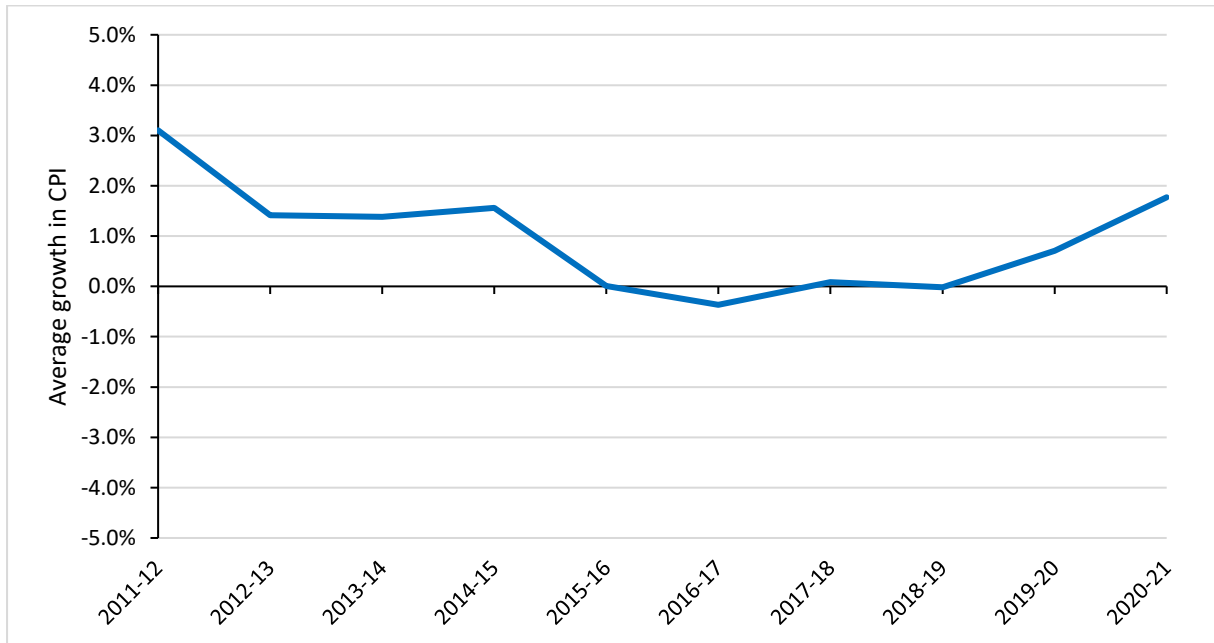
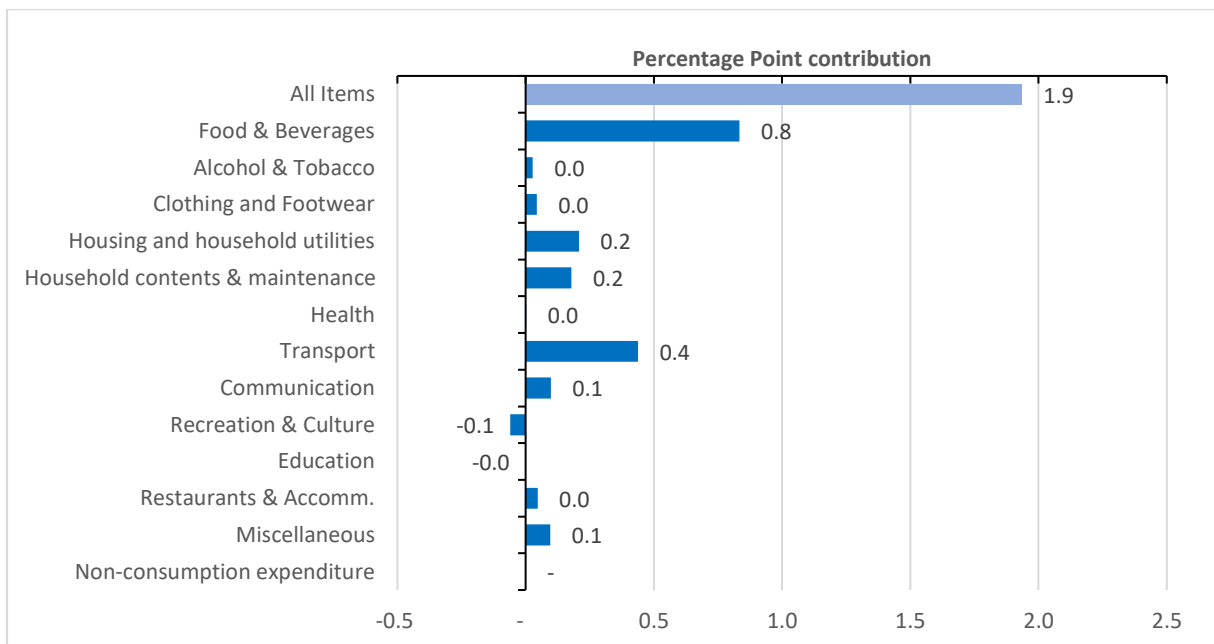


Figure 4-6 shows the contribution to aggregate inflation in 2020/21 by major category. In 2020/21, sizable increases in the Household contents, Miscellaneous and Clothing groups were partially offset by a significant fall in the Recreation and Transport groups.

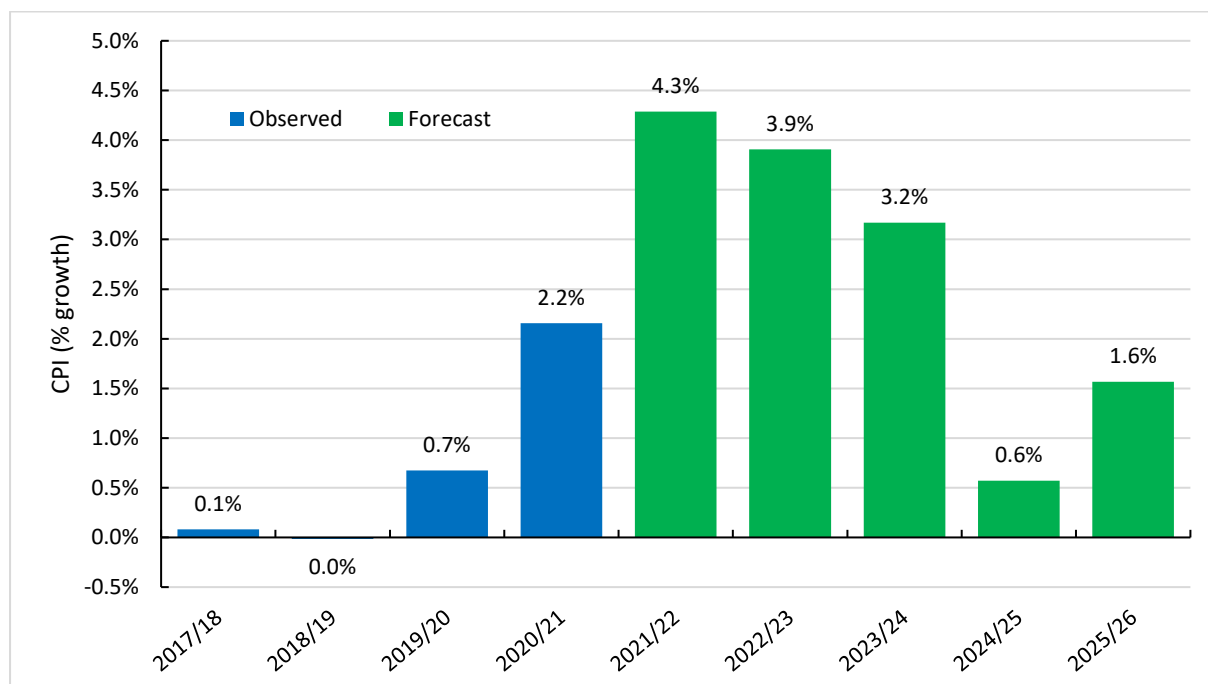
Figure 4-6 Contribution to 2021 calendar year average inflation (percentage point).



4.3.1 Inflation forecasts

Overall, as shown in Figure 4-7, inflation is projected to increase to 4.3 per cent in 2021/22 (due in part to oil prices rising due to the conflict in Ukraine). This higher price growth is expected to remain above three per cent for two more years, slowly decreasing toward 0.6 per cent in 2024/25. Domestic constraints (particularly in the labour market) are also contributing to this higher inflation as demand rises through the economic recovery.

Figure 4-7 Annual average change in CPI (percentage)



4.4 Tourism

4.4.1 Aggregate visitor activity

The closure of the Cook Islands borders in March 2020 significantly affected the tourism industry, bringing many aspects of it to an almost-halt. Visitor arrivals in pre-COVID years showed solid growth, which was largely driven by an increase in visitors from New Zealand and the United States.

With the opening of the Cook Islands border to 'two-way' quarantine free travel from New Zealand on 13 January 2022, there has been a steady number of arrivals at over 3,000 visitors per month from New Zealand and Australia. With borders now expected to remain open, the estimated total of visitors for May and June 2022 is anticipated to increase to between 5,000 and 7,000.

Total arrivals for the 2020/21 financial year were 7,538 – a 94 per cent drop when compared to 123,786 in 2019/20. The low visitor numbers for 2020/21 is due to the extended border closures and the lack of 'two-way' quarantine free travel between New Zealand and the Cook Islands until halfway through the last quarter of the financial year.

With 75 per cent of the adult population in the Cook Islands fully vaccinated (received first, second and third covid-19 vaccine dose), 80 per cent of children vaccinated (received first and second dose), and the continuation of the vaccine roll-out internationally, travel restrictions have eased and the visitor arrivals are estimated to move toward 'normal' levels of visitor arrivals over the forward years.

Based on technical assumptions visitor arrivals for the 2021/22 financial year is estimated at approximately 50,000, with initial arrivals from New Zealand and Australia only, and eventually opening to other markets as it becomes safe to do so.

In 2022/23 visitor arrivals are expected to grow by around 141 per cent to just over 120,000 – toward the numbers experienced before the pandemic, and a further estimated 36 per cent in the following year 2023/24 to around 165,000, returning to pre-pandemic numbers.

Growth rates are expected to level out to around 3 per cent in 2024/25. With many factors remaining unknown there is significant uncertainty around these forecasts, with the key downside risk being further outbreaks of COVID-19 limiting visitors’ ability to travel.

Figure 4-8 Total visitor arrivals, 12-month total, 2013/14 to 2025/26

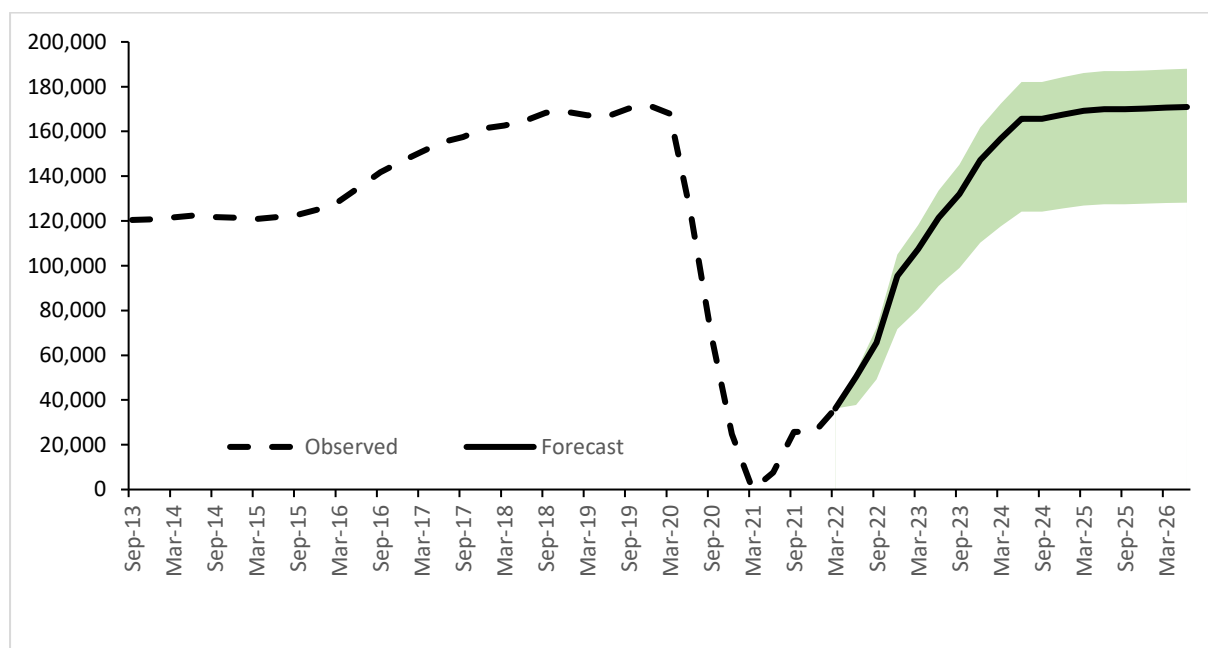


Table 4-3 Estimated total arrivals, quarterly, 2021/22 to 2025/26

Quarters	2021/22f	2022/23f	2023/24f	2024/25f	2025/26f
September	18,261	33,558	44,200	44,200	44,200
December	0	29,838	44,926	46,805	47,087
March	10,397	22,388	32,007	33,717	34,078
June	21,683	35,616	44,450	45,256	45,546
Annual total	50,341	121,400	165,583	169,978	170,911

While the borders have been closed to international visitors, domestic tourism has flourished with opportunities for ‘staycations’ and domestic travel being offered to residents at discounted prices. These prices have largely returned to pre-pandemic levels now the borders open, and tourism capacity constraints are not expected to be binding until the end of the forecast period.

4.4.2 Major markets

Due to having only short periods of the Cook Islands border being open to New Zealand, visitors have been predominantly from New Zealand with 94.7 per cent of total arrivals in the 2020/21 financial year, followed by Australia with 3 per cent and Europe and the USA and Canada (combined) at 0.95 per cent and 0.96 per cent respectively. The last 0.4 per cent being other markets.

In 2022/23 the share taken up by New Zealand will decrease to 75.4 per cent but will still be the Cook Islands biggest market as it is the first to open up to the Cook Islands. This is followed by Australia, which will increase to 13 per cent with others markets being slower to reopen as shown in Table 4-4. It is expected that other tourism markets are likely to recover slower due to the lack of convenient air links to these markets and some potential reluctance for long-haul travel in the shadow of the pandemic.

Table 4-4 Forecast total tourism numbers, by major market, 2021/22 to 2025/26

Markets	2021/22f	2022/23f	2023/24f	2024/25f	2025/26f
New Zealand	47,649	91,544	116,239	114,170	114,407
Australia	1,521	15,782	26,472	30,392	31,194
USA & Canada	485	5,747	9,306	10,320	10,259
Europe	480	6,313	10,302	11,476	11,442
Other	206	2,015	3,264	3,621	3,609
Total	50,341	121,400	165,583	169,978	170,911

4.5 Trade in Goods

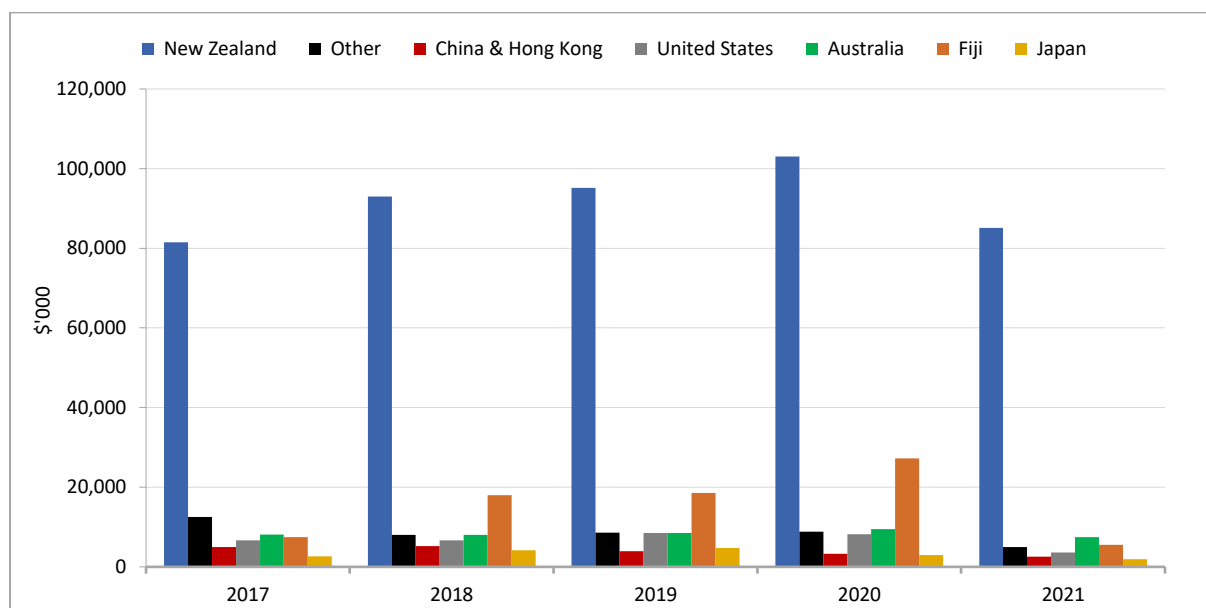
4.5.1 Goods imports

The Cook Islands’ size and geography means the country is highly reliant on imported goods to provide a range of goods and services. Due to technical issues with data systems, statistics on the import and export of goods are not available past April 2021 at the time of publication, and this section will focus on information to the end of the March quarter 2021.

The pandemic saw a reduction in imports due to lower demand as a result of the lack of tourists, with total imports in the year to March 2021 being over 30 per cent lower than the year to March 2020. This represents \$51.9 million less in imports for the year.

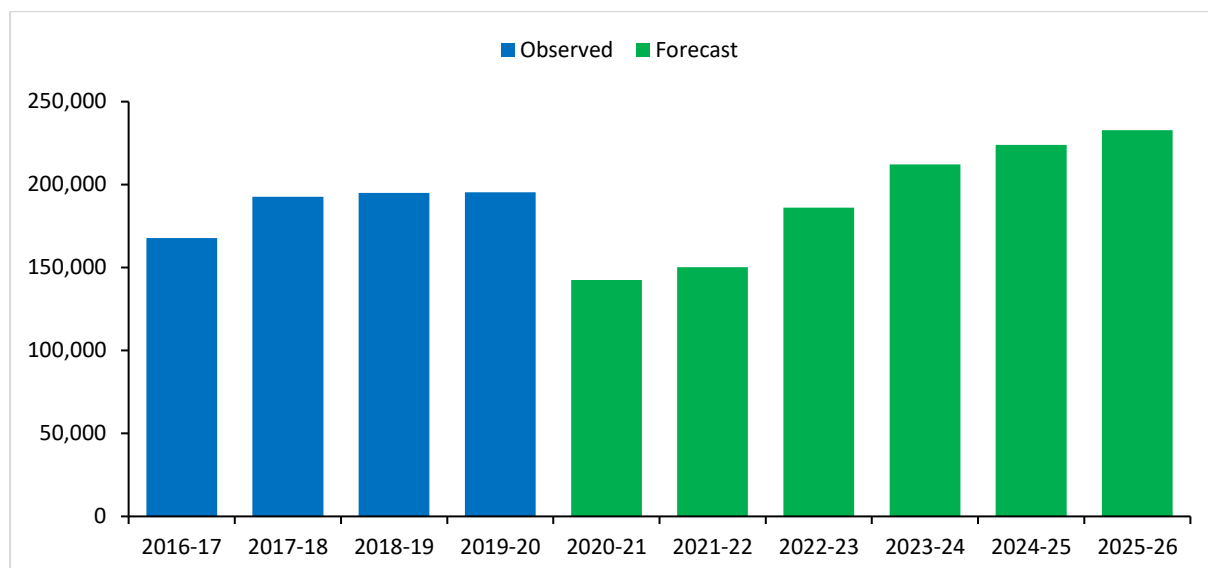
The largest percentage falls came in imports from Fiji (-79.7 per cent) and the United States (-56.5 per cent), while the largest falls in terms of total value is from New Zealand, where the majority of imports are sourced – falling by \$17.9 million (see Figure 4-9).

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



Import growth is expected to follow a similar (though more muted) profile to visitor arrivals, with the increase of people leading to an increasing demand for goods in tourism-related sectors. 2020/21 is at a considerably lower level after falling by 27.1 per cent, before increasing by 5.5 per cent as visitors began to return in 2021/22, and 23.8 per cent in 2022/23 as travel returns to a more normal footing. In the medium term, this growth is expected to moderate back towards historical levels.

Figure 4-10 Value of total goods imports, annual, 2016-17 to 2024-25, year to June (\$'000)

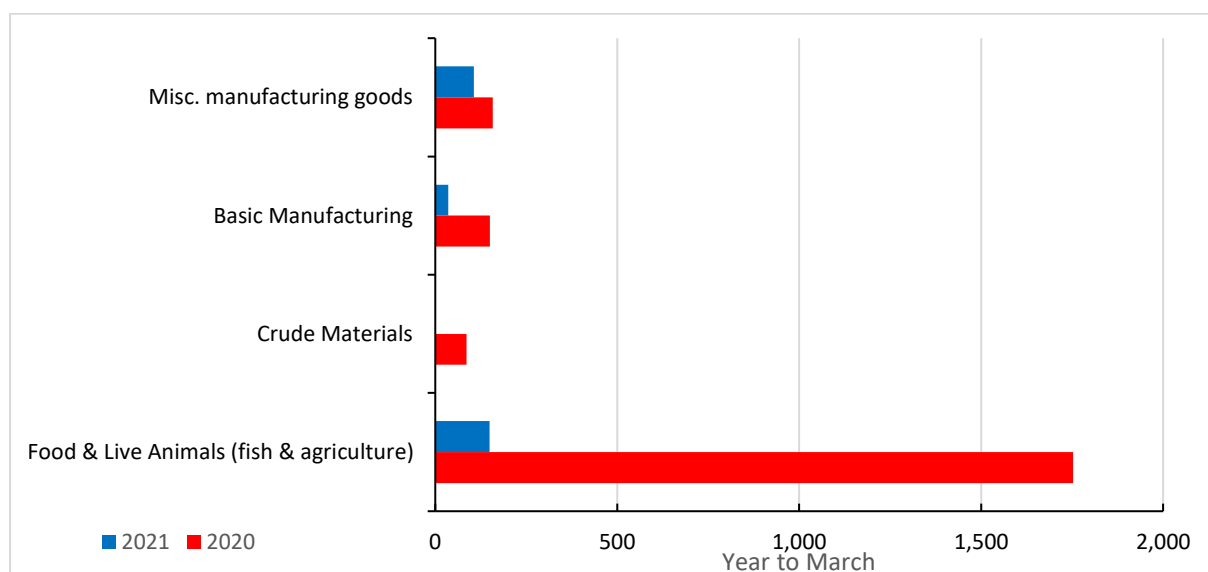


4.5.2 Goods exports

Total goods exports in the year to March 2021 fell by around 87 per cent from \$1.84 million to \$0.25 million (after adjustments to remove fishing exports from foreign boats which do not make landfall in the Cook Islands, and the one-off E-waste recycling shipments in 2019).

This decline has been in most major categories, though Miscellaneous Manufacturing remained the most stable (see Figure 4-11). Looking forward, goods exports are expected to remain at quite low levels.

Figure 4-11 Major goods exports, 2020 and 2021, year to March (\$'000)



4.6 Other key industries

4.6.1 Banking

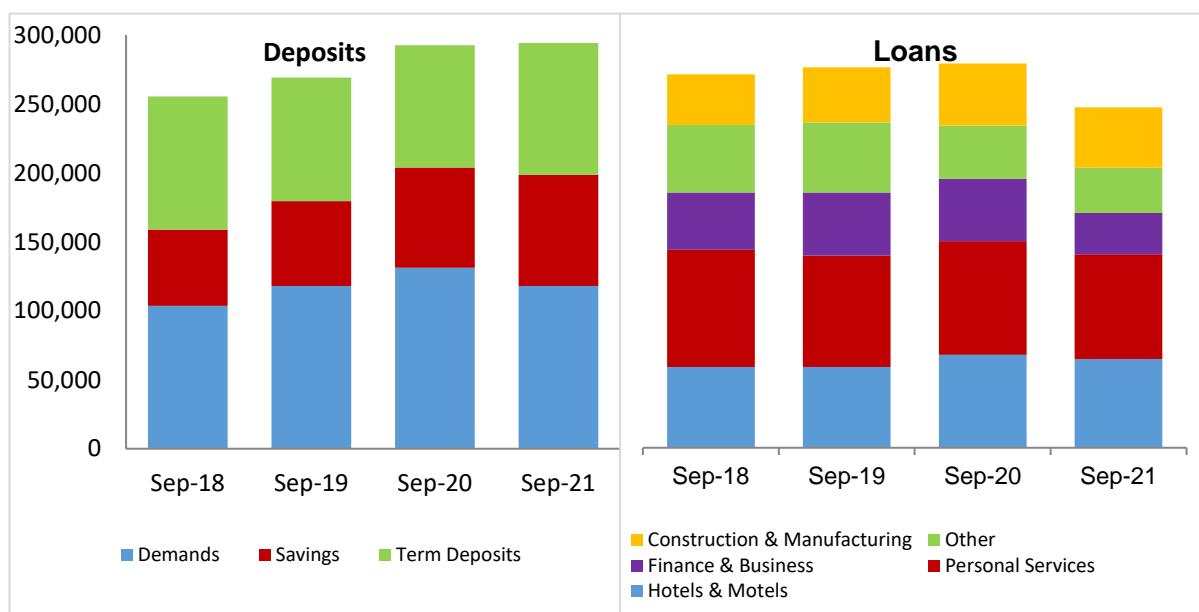
Total deposits in Cook Islands banks in September 2021 (latest available data) were 0.5 per cent higher than a year earlier, increasing from \$292.5 million to \$294.0 million. This masks a decline in the time between those points, as deposits fell to \$266.1 million in the March 2021 quarter before rising on the back of the 2021 travel bubble.

There have been some component changes in this as well, with a reduction of \$13.3 million in Demand Deposits, while Savings accounts and Term Deposits grew by \$8.0 million and \$6.7 million, respectively (see).

Total lending by Cook Islands banks in the year to September 2021 declined by 11.4 per cent (\$32.3 million) – mostly in the September 2021 quarter. To some degree this is unsurprising considering the deep recession experience in the Cook Islands created considerable uncertainty and the Cook Islands banks have taken conservative stances in recent years. This decline was especially in the Finance & Business sector, where outstanding debt moved from \$46.2 million to \$30.6 million in the year. Key in this analysis, government debt held outside of the Cook Islands is not included here as it is held by foreign entities – such as the Asian Development Bank.

4.6.2 Financial services industry

Figure 4-12 Bank deposits and loans, September 2018 to September 2021 (\$'000)



The Cook Islands' financial system comprises of about thirty financial entities, employing approximately 260 staff, accounting for approximately 4.5 per cent of total employment in the Cook

Islands.¹¹ These entities include domestic and international banks, a superannuation fund, insurers, captive insurers, trustee companies, and money changing and remittance businesses.

There are three commercial banks: ANZ Banking Group Limited (ANZ) and Bank of South Pacific (BSP) Limited operate as foreign-owned branches, while the Bank of the Cook Islands (BCI) Limited is owned by the government. BCI operates on all islands and channels government subsidies, child benefit and pension payments to beneficiaries, and is responsible for the payment of government salaries. As a result, the number of Cook Islanders with access to a bank account is very high. An additional domestic bank, Capital Security Bank (CSB), is an onshore commercial bank that specializes in providing trust and wealth management services to international clients.

The licensed trustee companies are responsible for the administration of approximately 3,500 entities and trusts on the Cook Islands international registers. The registration and renewal fees provided Government approximately \$1.3 million in 2020/21. The growth of these numbers depends on the impact of international tax and regulatory requirements and the licensed trustee companies' ability to operate efficiently and diversify. In early 2022, the Financial Services Development Authority began marketing a new product for the international financial industry, the International Relationship Property Trusts Act 2021 (IRPTA). The FSDA is focusing on marketing the IRPT and the jurisdiction over the next three years.

The Cook Islands is a party to a range of different agreements around transparency, reporting and tax information from the financial services industry, with the most recent full evaluation undertaken in 2017 by the Asia/Pacific Group on Money Laundering ("APG").

The industry has obligations under Anti Money Laundering / Combatting the Financing of Terrorism (AML/CFT) measures. In 2018 the Cook Islands was rated as "largely compliant" or better on 38 of 40 criteria for this by the APG.

The Cook Islands Statistics Office identifies the financial services industry as the finance and insurance sector. The sector's contribution to GDP, shown in Figure 4-11, has ranged between \$30 million and \$36 million over the past five years, with a peak of \$35.8 million in 2018/19, and a 2020/21 contribution of \$33.0 million.

A 2018 IMF-PFTAC report estimated that between 2010 and 2017 the total direct and indirect contribution to GDP of the international financial services industry has fluctuated between 3.8 and 4.8 per cent. The direct contribution has increased from \$12.5 million in 2010 to \$14.9 million in 2017, while the indirect contribution has remained flat, averaging around \$3.5 million per year. The indirect contribution has remained unchanged because purchases of production inputs from other businesses in the Cook Islands have been falling.

4.6.3 Housing and construction

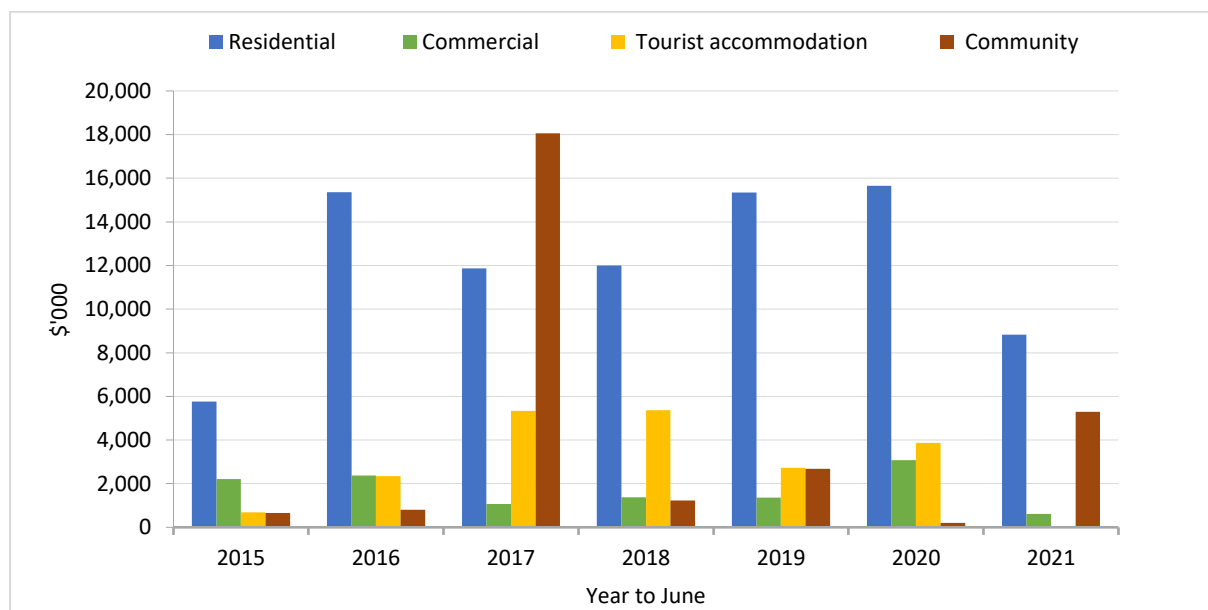
The total value of Cook Islands building approvals in the year to June 2021 fell by 35.4 per cent to \$14.7 million, from \$22.8 million the previous year. The largest part of this decrease is in residential buildings which declined by \$6.8 million (44 per cent of the year to June 2020 total), with the largest percentage change in tourist accommodation – which fell completely, having no approvals in the year – reflecting the pandemic and large amounts of uncertainty.

¹¹ Based on a survey conducted as at 31 March 2020 by the Financial Services Development Authority. The employment rate is estimated using the number of active Cook Islands National Superannuation Fund members as a proxy for total employees in the Cook Islands. As at 31 December 2019 there were 5,747 active members.

Along with the closure of borders, supply-chain impacts and rising prices of materials have also impacted the confidence in potential builders. Partially offsetting this decline is a large Community building approval, worth \$5.3 million (Figure 4-13).

The moderately reduced level of the value of building approvals in the year to June 2021 is not yet reflected in the performance of the construction sector of the Cook Islands economy. The construction sector’s contribution to GDP has risen slightly to \$15.4 million in 2020/21 from \$14.9 million in 2019/20, however as building approvals are a leading indicator this may signal some weakness for the sector on the horizon.

Figure 4-13 Building approvals, 2016 to 2021 (\$'000)



4.6.4 Marine resources

A key source of government revenue, as well as an important sector for economic activity in Rarotonga and the Pa Enua, is the marine resources sector – that is fishing and pearl farming. While this sector remains important, the sector has accounted for less than half of one per cent of GDP since 2012-13, with the largest contribution being \$2.3 million in 2019/20 (see Figure 4-14). However, the revenue from licensing and permits far exceeds this amount.

The main benefit to the Cook Islands Government from fishing activities is revenue from treaty arrangements, purse seine fishing bilateral arrangements, license fees and the sale of catch quotas. The revenue collected in 2020/21 was \$9.9 million, with 2021/22 being affected by climatic conditions, pushing revenue lower.

There are a number of different types of licence and permits which generate revenue, with the Quota Management System (QMS) and purse seine fishing responsible for most of the revenue. The QMS uses a total allowable catch approach, and purse seine sells a number of fishing days implemented in conjunction with the Western Central Pacific Fisheries Commission (WCPFC).

Key purse seine agreements have been made with the United States (as part of a regional approach) and with the European Union (EU). The standard price per day is US\$9,500, but different prices have been negotiated for the US as part of the treaty arrangements (US\$9,553 per day) and for the EU access is granted under a broader package of €151,000, with the possibility to purchase extra days at €8,000 per day. The return in NZD fluctuates with exchange rates.

In 2022, long-line catch rates seemed to have significantly increased from the previous two years so revenue predictions for 22/23 are forecast to increase from 21/22 but remain conservative for periods beyond 2023. Projected fisheries revenue for 2022/23 is \$9.3 million.

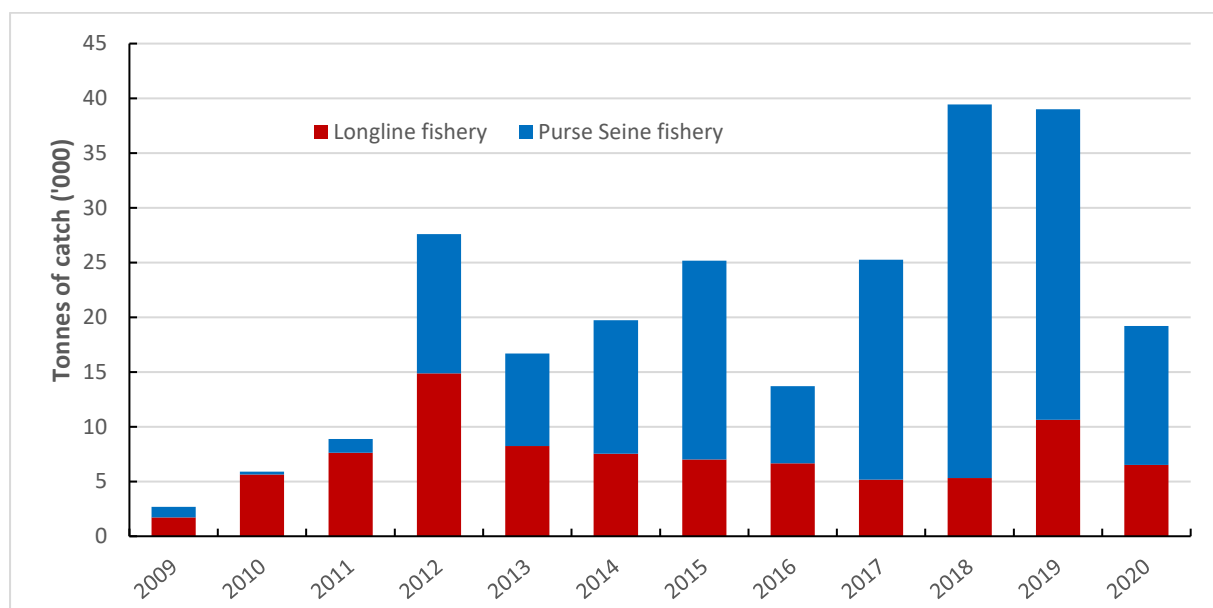
The sources of revenues include:

- \$ 3.0 million from the longline licensing, development fees and QMS
- \$ 3.2 million from the US Treaty
- \$ 2.3 million from the purse seine vessel days
- \$ 0.4 million from the EU Sustainable Fisheries Partnership Agreement (SFPA) fishing authorisations
- \$ 0.4 million from other fisheries and fines

The development of the purse seine fishery has contributed significantly to the growth of this sector, though it is largely dependent on annual fishing patterns influenced by climatic conditions such as El Nino, and experiences year on year fluctuations in west-east migrations. Fisheries management arrangements and differences in pricing for purse seine vessel days also influence where and when fleets choose to fish.

The suspension of tourists and other arrivals in to the country has had a marked impact on the local market (Rarotonga in particular). The saturation in supply of oceanic species such as tuna has created competition between artisanal and commercial fishers, where they previously filled different niches in the market.

Figure 4-14 Fishery catch in the Cook Islands EEZ¹²



In 2021, the Ministry of Marine Resources (MMR) managed 86 licensed vessels made up of 65 longliners, eight purse seiners, 11 bunker vessels and two trawlers. In addition, there were 236 local artisanal and game charter fishing boats reporting catches to MMR.

One domestic commercial fishing company with one Cook Islands flagged longline vessel operates in the southern Cook Islands waters, and offload their catch at the Avatiu port predominantly for the domestic market. For the domestic vessels that unload in Rarotonga, 74t of fish were unloaded in

¹² Catch and effort estimates for 2021 not yet finalised.

2021, compared to 126t in 2020. There were no exports over this period and there has been no landed catch by foreign vessels in Rarotonga since 2017.

Table 4-5 Fishery catches in the Cook Islands EEZ by species (tonnes)

	2019			2020		
	Longline	Purse Seine	Local	Longline	Purse Seine	Local
Albacore	6,864	0	3	3529	0	0.2
Bigeye	842	236	0	398	325	0.2
Yellowfin	1,583	1,032	64	146	972	70
Skipjack	587	27,203	7	1477	11374	5
Other	719	7	43	767	12	34
Total	10,595	28,478	117	6317	12683	109.4

The impacts of COVID-19 and closed borders drove the local price of fresh fish down with commercial and artisanal fishers competing for the same market and driving prices down to between \$5 to \$18 per kilogram, compared to \$15 to \$30 per kilogram pre-COVID. This in turn affects the ability of fishers in the Pa Enua to sell fish to the Rarotonga market, and uncertainty about the impact of demand and prices on production. This situation is expected to alleviate as the tourism market re-establishes.

4.6.5 Agriculture

The Agricultural sector accounted for about 2.5 per cent of nominal GDP in the 2021 calendar year, increasing by 1.0 per cent through the year from \$10.8 million to \$10.9 million. Agricultural production in the Cook Islands is targeted predominately toward domestic consumption, with the tourist market providing a form of 'localised export' for products, without facing the constraints of traditional export markets – such as freight costs.

While the activity within the domestic agricultural sector has seen an increase in some areas (such as Aitutaki, Atiu and Mitiaro), overall it has seen a reduction in production from commercial and subsistent growers on Rarotonga and the Pa Enua.

Table 4-6 Total value of produce (\$'000)

Type	Fruits		Root crops		Vegetables		Herbs		Total Value		Total
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	
Rarotonga	1,481	861	80	581	408	115	13	3	1,982	1,560	4,546
Aitutaki	62	51	27	71	13	6	0	0	102	128	343
Atiu	0	1	1	1	0	1	0	0	1	3	26
Mangaia	60	9	20	7	20	2	0	0	100	18	194
Mauke	42	26	7	10	12	4	0	0	61	40	187
Mitiaro	0	2	0	1	0	0	0	0	0	3	3
Total	1645	950	135	671	453	128	13	3	2,246	1,752	5,299

The Government has supported the agricultural industry and agribusinesses servicing the industry to develop and implement innovative solutions to assist with transformational change within agricultural value chains by improving yields, efficiency and through its SMART AgriTech grant measure. These grants provided a total of almost \$1 million to successful applicants, supported by their own contributions to match this amount and with quarterly progress reporting to give businesses the best opportunity to succeed. Along with this prominent programme, Government has been collecting additional data and distributing information as a means to increase agricultural productivity. This data helps to inform farmers of trends and developments that can impact the business decisions they make.

5 Crown Debt and Net Worth

The total value of public debt¹³ to the end of June 2023 is estimated to be \$220.8 million and 39 per cent of GDP, this value includes \$130 million of new debt that was taken on during the pandemic. The increase in debt was necessary to support government's response to the economic impact of the COVID-19 pandemic. The government also revised its MTFs within this context to ensure the increase in debt will alleviate the immediate needs of the Cook Islands while still adhering to fiscal sustainability over the medium-term.

Consequently, the annual debt servicing is expected to peak at \$32.4 million by 2029/30 when the post pandemic loans are being repaid, which poses a funding challenge for government in the medium-term. The government in response has drafted a Medium-Term Debt Strategy (MTDS) which aims at guiding the mitigation initiatives it could pursue to smooth out its debt repayment profile.

At the time of writing, the government has not confirmed any new borrowings for the financial year 2022/23 other than the contingency loans of \$85.9 million committed with the ADB to support the Cook Islands in the event of a crisis.

5.1 Debt Headroom

The net debt to GDP rule has been revised from the normal threshold of 35% to 65%, to allow government to take on the additional debt necessary to support and stimulate the economy during the pandemic.

Table 5-1 Financing Requirements 2022-2026 ('000)

Financing Requirements	2021/22	2022/23	2023/24	2024/25	2025/26
Net Operating Balance	(\$23,039)	(\$19,391)	(\$684)	\$5,486	\$17,107
Net Non-Operating Balance (excl. debt)	(\$35,155)	(\$40,483)	(\$29,230)	(\$28,734)	(\$30,295)
Depreciation	\$13,054	\$13,767	\$13,783	\$13,783	\$13,783
Payments made from LRF	\$0	\$728	\$759	\$772	\$772
Financing Requirements (excl. debt)	(\$45,140)	(\$45,379)	(\$15,373)	(\$8,693)	\$1,367
<i>add: General Cash Reserves (start)</i>	<i>\$0</i>	<i>\$45,379</i>	<i>\$15,373</i>	<i>\$4,827</i>	<i>\$0</i>
<i>add: Debt Financing</i>	<i>\$55,540</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
Financing Gap	\$0	\$0	\$0	(\$3,866)	\$0
Current debt level	\$231,018	\$220,818	\$210,993	\$197,007	\$179,842
Estimated Debt Inc Financing	\$231,018	\$220,818	\$210,993	\$200,873	\$183,708
GDP forecast	\$483,987	\$567,029	\$629,687	\$651,912	\$683,125
Gross Debt to GDP	48%	39%	34%	31%	27%
LRF Balance	\$12,544	\$12,669	\$12,796	\$12,924	\$13,053
Estimated net debt level	\$218,474	\$208,149	\$198,197	\$187,949	\$170,655
Net Debt to GDP	45.1%	36.7%	31.5%	28.8%	25.0%

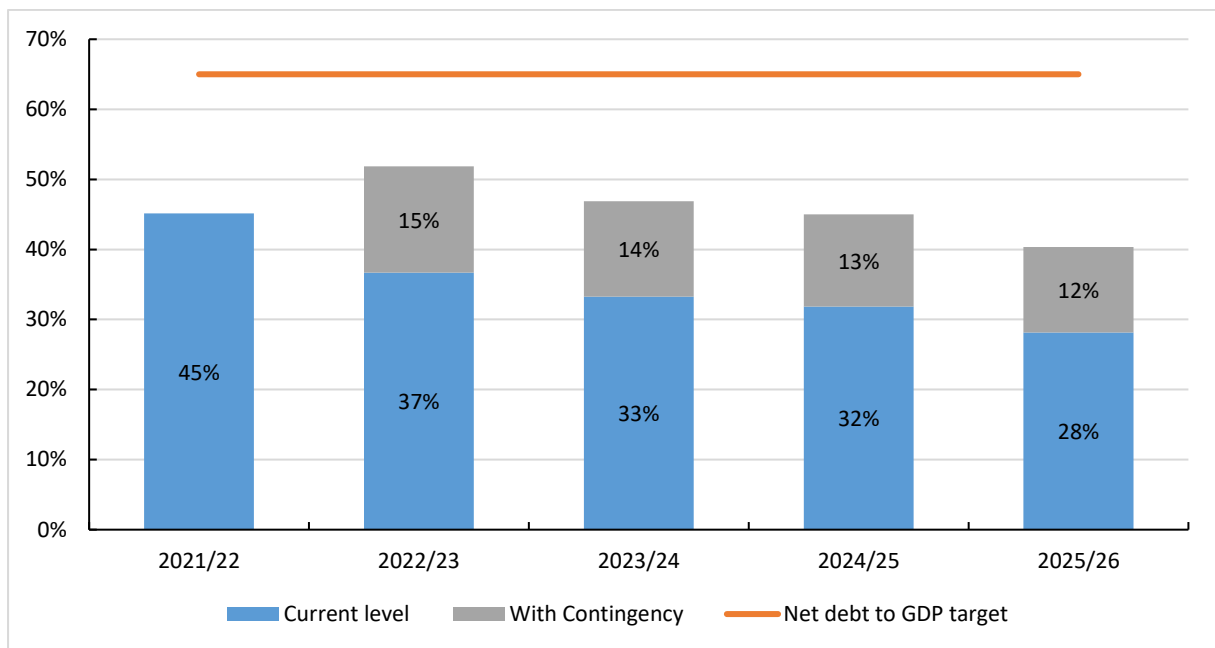
As illustrated in Table 5-1, net debt to GDP is estimated to fall below the 35 per cent level by financial year 2023/24 and 25 per cent by financial year 2025/26, accounting for an estimated \$3.9 million financing deficit over the same period.

¹³ Including commercial debt held direct by SOEs

According to the current threshold, the government can take on an additional \$147.8 million of debt or \$61.9 million if taking contingency debt into account. The total contingent debt of \$85.9 million is made up of:

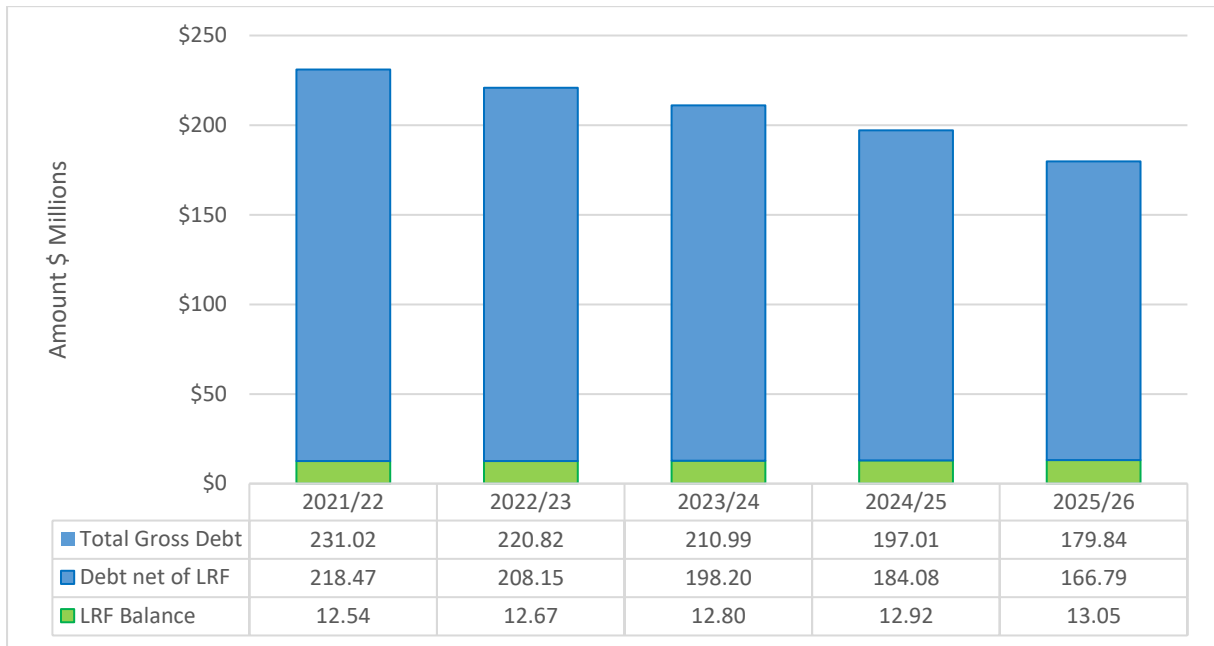
1. Disaster contingency loan (ADB) of \$30.3 million that will only be drawn in the event of disasters triggered by natural hazards or health emergencies.
2. Precautionary financing option (PFO) loan (ADB) of \$55.5 million to support government's cashflow when pre-established conditions are met.

Figure 5-1 Net debt to GDP including financing requirements (percentage of nominal GDP)



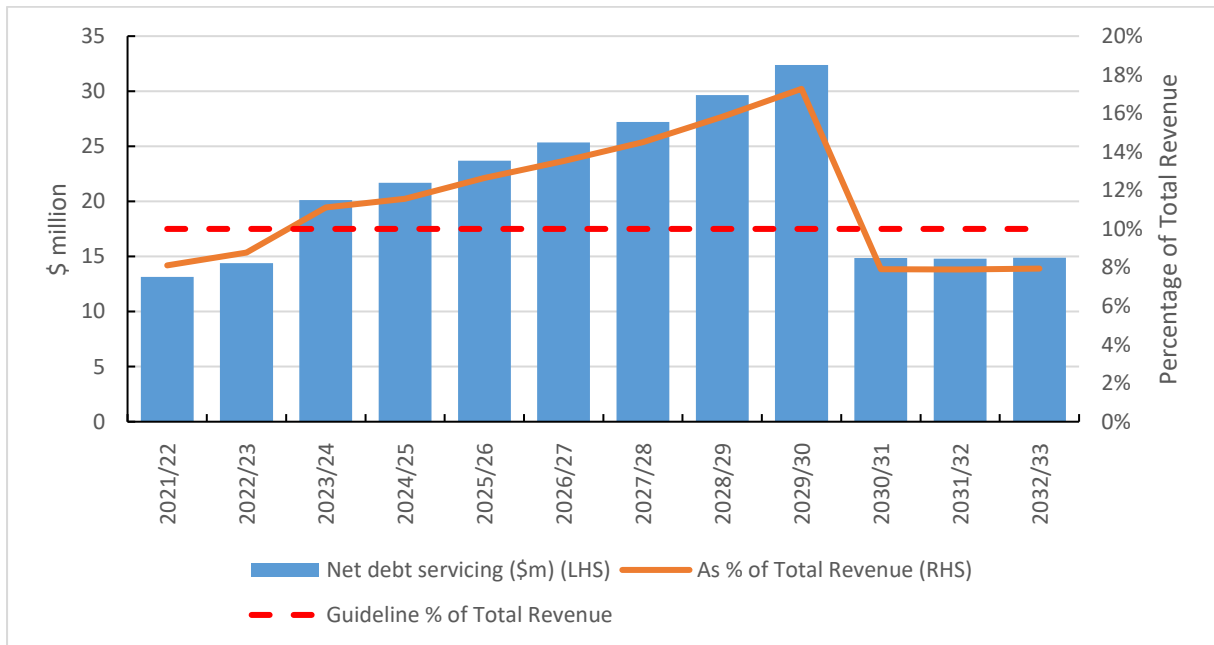
As illustrated in Figure 5-1, even if government is required to take on the two contingent loans, it will remain within the 65 per cent net debt to GDP rule. This should be noted as being close to a 'worst case scenario' as it involves a significant depletion of cash reserves, triggering the PFO loan as well as a natural disaster occurring.

Figure 5-2 Crown debt net of Loan Repayment Fund



The Loan Repayment Fund (LRF) is the official means by which the Cook Islands government manages its debt portfolio mandated by the LRF Act 2014. Debt net of LRF is estimated at \$208.2 million in 2022/23 and gradually reduces in the outer years on the assumption that principal is repaid and Crown does not take on new loans.

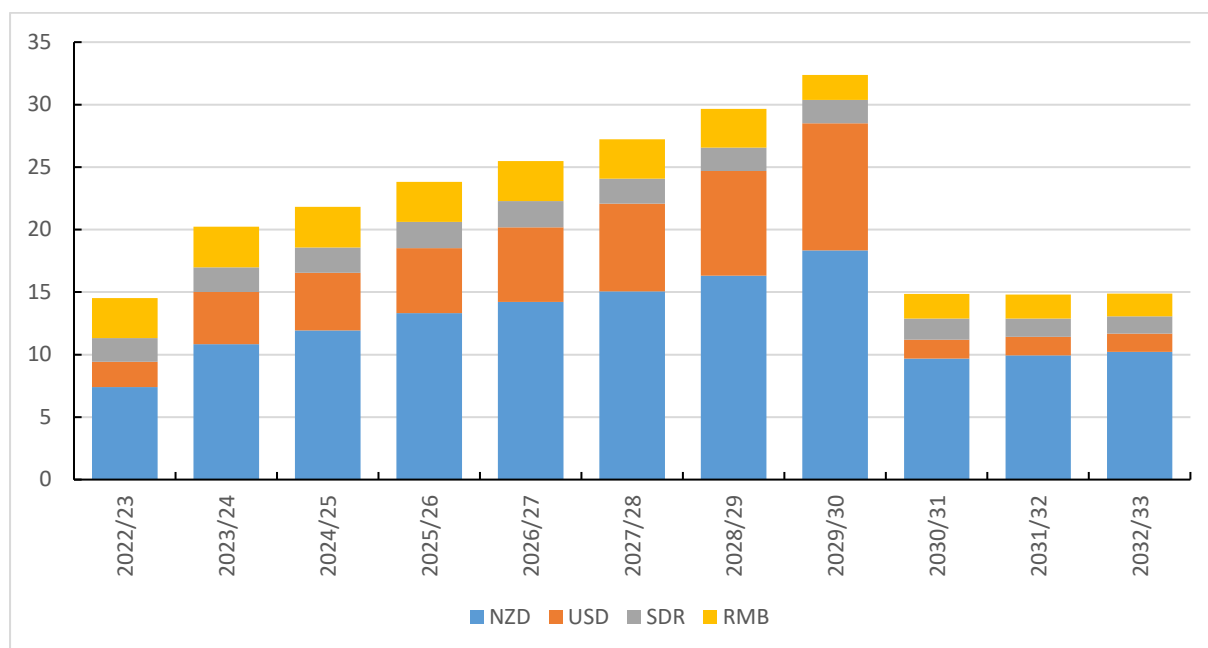
Figure 5-3 10-year Debt Servicing Profile (\$ million)



Although net debt to GDP is within the fiscal limit of 65%, net debt servicing to total revenue is estimated to surpass 10 per cent in 2023/24 and is not expected to fall back below this threshold until 2030/31. This could indicate a cashflow issue if overall government spending is not being closely monitored or reduced to accommodate the additional debt servicing requirements. The annual debt

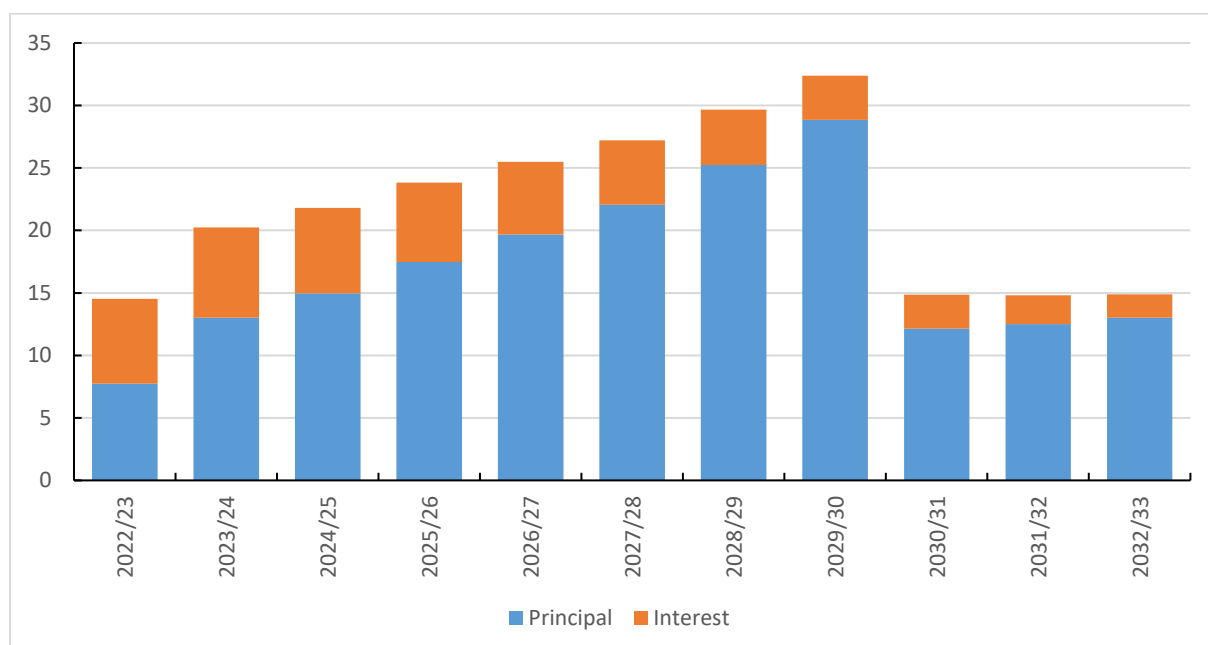
servicing peaks at 17 per cent (\$32.4 million) of total revenue by 2029/30, as some loans with back-ended repayment profiles have higher demands.

Figure 5-4 10-year Debt Servicing Profile by currency (NZ\$ million equivalent)



As demonstrated in Figure 5-4, the NZD share of overall debt service repayments takes up a significant portion, this is part of government’s strategy where new debt are taken in the local currency to mitigate against exchange risk exposure.

Figure 5-5 10-year Debt Servicing Profile by Principal/Interest (\$ million)



Refinancing risk (which relates to the potential for debt servicing costs to rise) is a concern over the medium-term. With the revised Net Debt to GDP rule of 65 per cent, there is still room available for the government to take on additional debt if needed – however any new debt should be considered

in conjunction with the impact on debt servicing and cash reserve balances. Debt servicing is expected to become a larger concern over the medium-term as grace periods on new debt end and principal repayments begin.

5.1.1.1 Variable Interest Rate Assumptions

A number of loans held by Government have interest rates which are tied to particular reference rates in financial markets – the 6-month LIBOR (London Interbank Offer Rate) and 6-month NZD Bank Bill Rate in particular. Assumptions around the profile for these rates have been made using yield curves and market expectations of interest rate pricing. These assumptions can be seen in Table 5-2. For simplicity in estimating the debt servicing costs, the average rates have been used.

Table 5-2 Interest rate benchmark assumptions (annual per cent)

	2021/22	2022/23	2023/24	2024/25	2025/26	Average (21/22 to 27/28)
LIBOR USD 6 month rate	1.437%	2.661%	2.585%	2.332%	2.385%	2.286%
NZD 6 month BBR	2.560%	2.994%	3.040%	3.216%	3.391%	3.089%

5.1.2 Medium Term Debt Strategy

The current draft of the MTDS requires government to report on its performance against key strategic targets through the annual budget process. The first year of review will be financial 2022/23 where the status of implementation will be reported in the 2023/24 budget process. The key targets for the period 2022-2026 financial years are:

1. Maintain total Crown debt as a share of GDP well below the 65 per cent threshold, by redefining the conditions of new borrowing, prepaying debts from LRF where applicable, and maintaining prudent macroeconomic management.
2. New borrowing should be limited to priorities reflected in the National Infrastructure Investment Plan 2021-2030 (NIIP) identified through the National Budgets and considered only for investments that can demonstrate a positive economic return sufficient to match interest and repayment costs. Economic assessments need to occur in early stages of project preparation through government’s activity management system – Tarai Vaka Process (TVP).
3. To minimise impact of costs and risks to government, these indicators shall be used as a guideline to provide measurable and quantifiable targets for monitoring purposes.
4. Complete the application process for country reclassification review with the ADB by 2022/23.
5. Complete a white paper on the feasibility of setting up the domestic debt market in the Cook Islands by 2022/23 or issuing government securities in New Zealand to utilise the larger market for NZD securities.

The Debt Management Unit (DMU) should be appropriately staffed, adequately trained and resourced to conduct the debt management functions articulated in staff job descriptions.

Table 5-3 – MTDS Key Targets 2023 - 2026

	Indicators	Current level	Target – overall debt	Target – new debt
Interest rate risk	1. Implied interest rate	3.6%	<4.5%	<4.5%
	2. % of total debt in variable interest rates	74.9%	<70%	<65%
Refinancing risk	3. Limit total public debt maturing in 1 year	3.5%	<6%	<5%
	4. Total Average Time to Maturity	7.3 years	>7 years	>15years
Exchange rate risk	5. foreign debt as a % of total debt	42.0%	<30%	<10%

5.2 Exchange Rate Assumptions

Currency risk arises when debt is held in foreign currency and adverse movements in the exchange rate against the NZD lead to increase costs. To minimize foreign currency risk, the MTDS requires government to constrain new borrowings only in the local currency or to restrict borrowing in the foreign currency to 10 per cent of overall government debt.

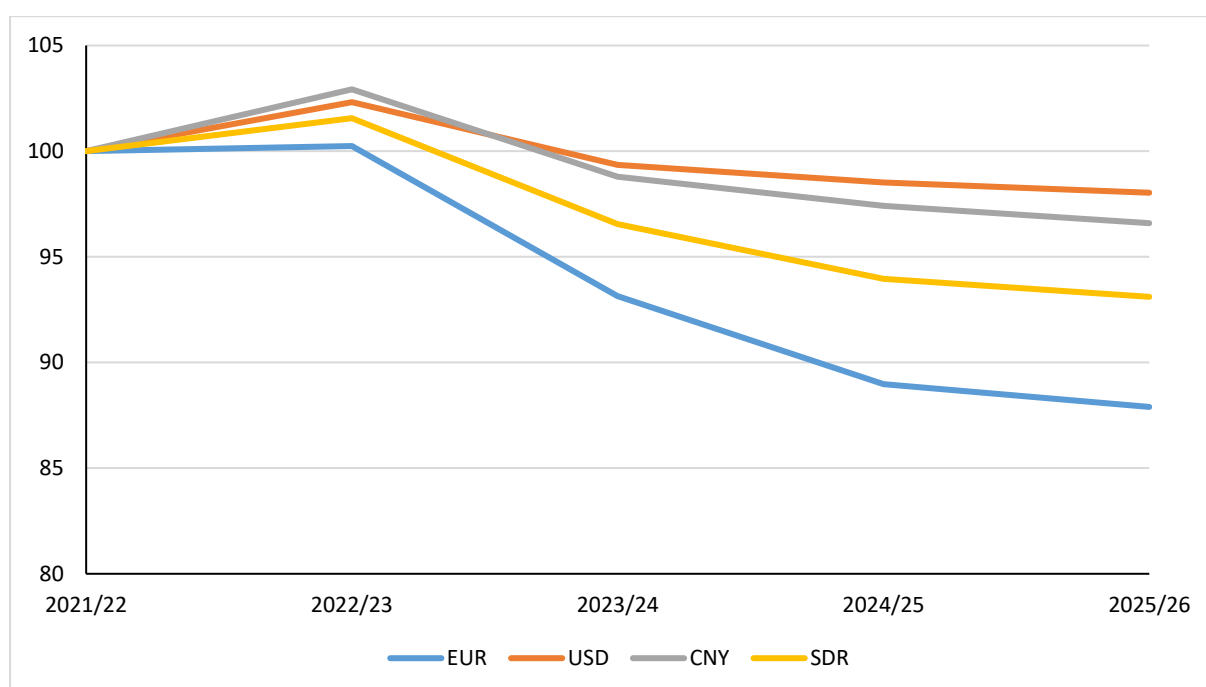
Table 5-4 Exchange Rate Forecast – 2022/23 to 2026/27

Currency	2022/23	2023/24	2024/25	2025/26	2026/27
EUR	0.6231	0.5790	0.5531	0.5464	0.5424
USD	0.7060	0.6855	0.6797	0.6764	0.6742
RMB	4.5452	4.3627	4.3014	4.2655	4.2110
SDR	0.5065	0.4815	0.4686	0.4644	0.4610

NZD appreciated slightly against major trading currencies in the first half of the 2021/22 financial year. This appreciation was likely the result of the Reserve Bank of New Zealand (RBNZ) beginning to return interest rates to more normal settings. With rising inflation becoming an increasing concern for the RBNZ, and unemployment levels suggesting rates at or exceeding ‘full employment,’ interest rates are anticipated to rise further through 2022/23 – pushing the NZD to appreciate further during the year. From thereafter the NZD is expected to settle back slightly lower as global central banks unwind monetary stimulus.

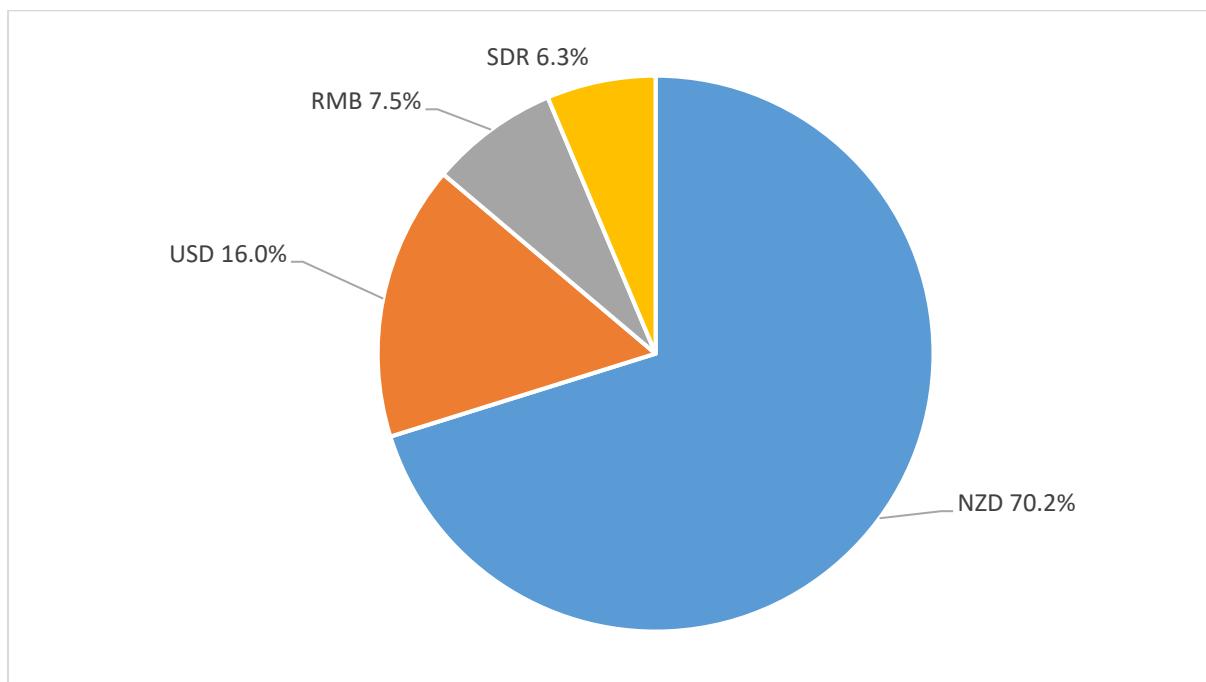
New Zealand labour market data kept the NZD strong through 2021 as the economy outperformed many others, as other economies catch up to the relative success of New Zealand.

Figure 5-6 Assumed changes in major exchange rates (indices – 2021/22 = 100)



5.2.1 Crown Debt by Currency

Figure 5-7 Overall debt by currency (as at June 2022)



Approximately 29.8 per cent of the debt portfolio is in foreign currency and exposed to exchange rate risk, mainly in USD making up 16.0 per cent. The Cook Islands receive fisheries income in USD (equivalent of NZD10 million per fiscal year), allowing a natural hedge to the exchange rate exposure in the debt portfolio by allocating USD to the LRF based on USD annual debt servicing payments.

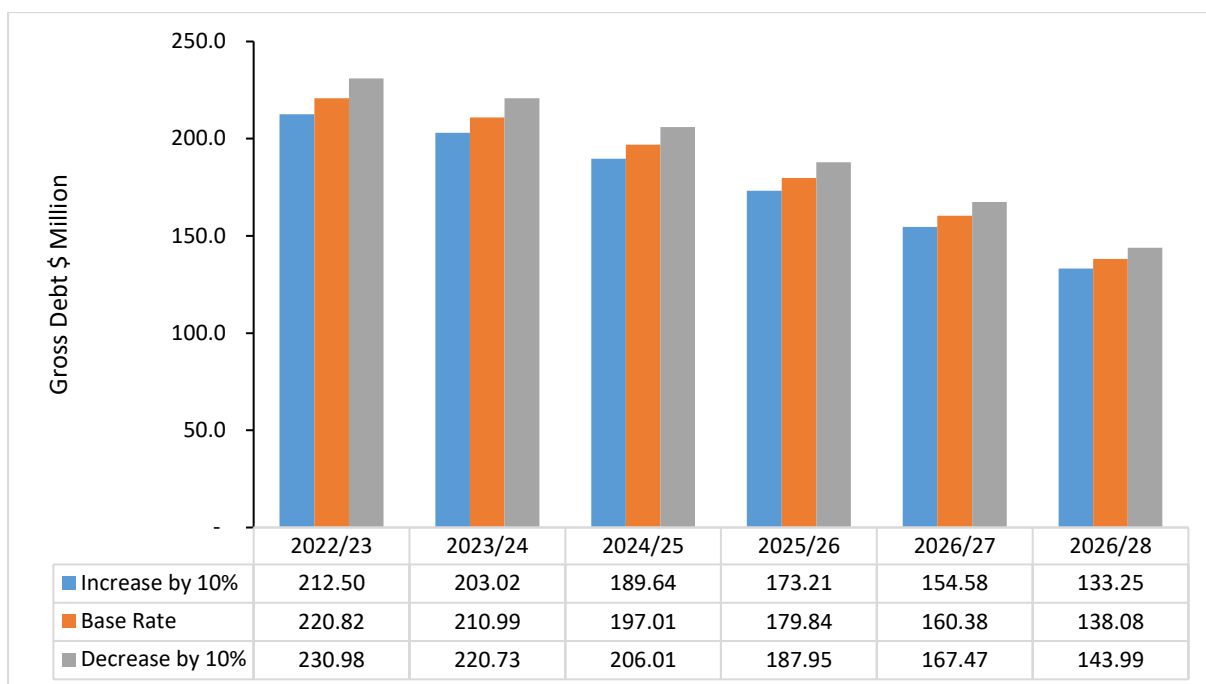
5.2.2 Debt Sensitivity Analysis

Table 5-5 Base Exchange rates assumptions used in 2022/23 Budget with +/- 10%

Foreign Exchange Currency	-10%	Budget base rate	+10%
EUR	0.5608	0.6231	0.6854
USD	0.6354	0.7060	0.7766
RMB	4.0907	4.5452	4.9998
SDR	0.4559	0.5065	0.5572

Movements in the value of the NZD against Crown's major trading currencies remains a risk. The sensitivity analysis demonstrates the impact of a 10 per cent appreciation or depreciation by the NZD to determine the impact on the gross borrowings and the debt servicing cost.

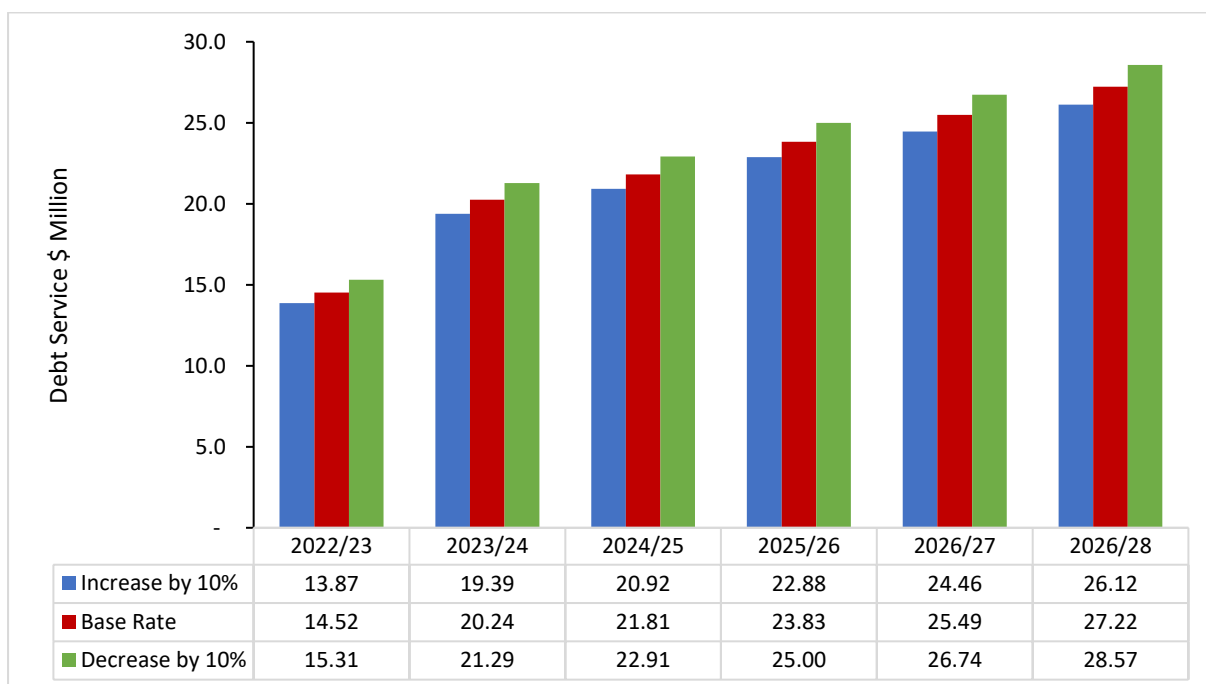
Figure 5-8 Sensitivity of Crown Gross Debt to NZD movements



If the relevant NZD exchange rates were to depreciate by 10 per cent against major trading currencies, overall debt estimated to the end of June 2023 would increase by \$10.2 million compared to a \$8.3 million if the NZD were to appreciate by 10 per cent. This demonstrates the Crown’s gross debt level is more adversely sensitive to the depreciation of the NZD.

A 10 per cent decrease in the foreign currency value of the NZD would increase debt servicing costs to the LRF by \$0.8 million in the 2022/23 financial year.

Figure 5-9 Sensitivity of Crown Debt Servicing Costs to NZD movements



5.3 Gross Debt by Individual Loan

The Crown's total committed gross debt is \$306.7 million, this is broken down into loans that are drawn of \$220.8 million and loans that are undrawn of \$85.9 million – committed as contingency debt.

Table 5-6 Status of Government loans to 30 June 2023

Loans committed and drawn	Loan taken (MM/YYYY)	Original loan amount (\$000's)	Expected Repayment (MM/YYYY)	Current Balance (\$000's)
ADB 849 (SF) 2nd Multi-Project	12/1987	SDR 2,150	08/2027	712
ADB 1031 (SF) Outer Islands Telecom Project	10/1990	SDR 3,578	08/2030	2,265
ADB 1155 (SF) 2nd CIDB Project	03/1992	SDR 1,085	12/2031	608
ADB 1171 (SF) Emerg. Telecom Rehab Project	08/1992	SDR 349	06/2032	213
ADB 1309 (SF) Pearl Industry Dev. Project	12/1994	SDR 272	08/2034	268
ADB 1317 (SF) Educ'n Dev Project	02/1995	SDR 1,852	08/2034	1,636
ADB 1380 (SF) 3rd CIDB Project	01/1996	SDR 1,977	09/2035	1,436
ADB 1466 (SF) Economic Restructure Program	09/1996	SDR 3,430	09/2036	3,345
ADB 1588 (SF) Cyclone Emergency Rehab Project	01/1997	SDR 583	01/2038	600
ADB 1832 (SF) Waste Mgt. Project	12/2001	SDR 1,695	06/2033	1,302
ADB 2174 (SF) Cyclone Emergency Assist Project	06/2005	SDR 1,895	06/2045	2,943
China - Multi-Functional Indoor Sports Stadium	08/2008	RMB 74,100	08/2028	5,728
ADB 2472 (OCR) Avatiu Port Development Project	09/2009	NZD 10,309	11/2033	7,515
ADB 2473 (SF) Avatiu Ports Development project	09/2009	SDR 4,524	11/2040	4,119
ADB 2565 OCR Economic Recovery Support Program 1	01/2010	NZD 11,053	10/2024	1,507
ADB 2739 (OCR) Amendment Avatiu Port project	12/2011	NZD 5,290	11/2035	4,372
China - Rarotonga Water Ring Main Upgrade	12/2012	RMB 118,000	12/2032	17,243
ADB 2946 OCR Economic Recovery Support Program 2	12/2012	NZD 11,053	10/2027	2,719
ADB 3193 Renewable Energy Project	12/2014	NZD 12,980	06/2036	9,293
ADB 001-COO(FA-CDF) - Disaster Resilience Program	12/2019	NZD 15,676	06/2035	15,676
ADB 3632 - Loan for Undersea Broadband Cable	11/2018	USD 15,000	10/2042	20,715
Commercial - Loan for Rarotonga Airport Equipment	01/2018	NZD 3,206	2033	2,326
ADB 4010 - CPRO Loan	11/2020	NZD 30,409	06/2030	30,409
AIIB - CPRO Loan	12/2020	USD 20,000	06/2030	28,329
ADB 4161 - Sustainable Economic Recovery Program	12/2021	NZD 55,540	12/2036	55,540
Total Loans Drawn Down				220,818
Contingency Loans				
ADB 4162 - Precautionary Financing Option (PFO)	12/2022	NZD 55,540	12/2037	55,540
ADB - Disaster Resilience Program (Phase 3)	12/2022	NZD 30,312	06/2037	30,312
Total Committed/Planned but Undrawn				85,852
Total Loans Commitment by the Crown				306,670

5.4 Crown Debt by Lenders

Figure 5-10 Overall Debt by Lenders (as at June 2023)

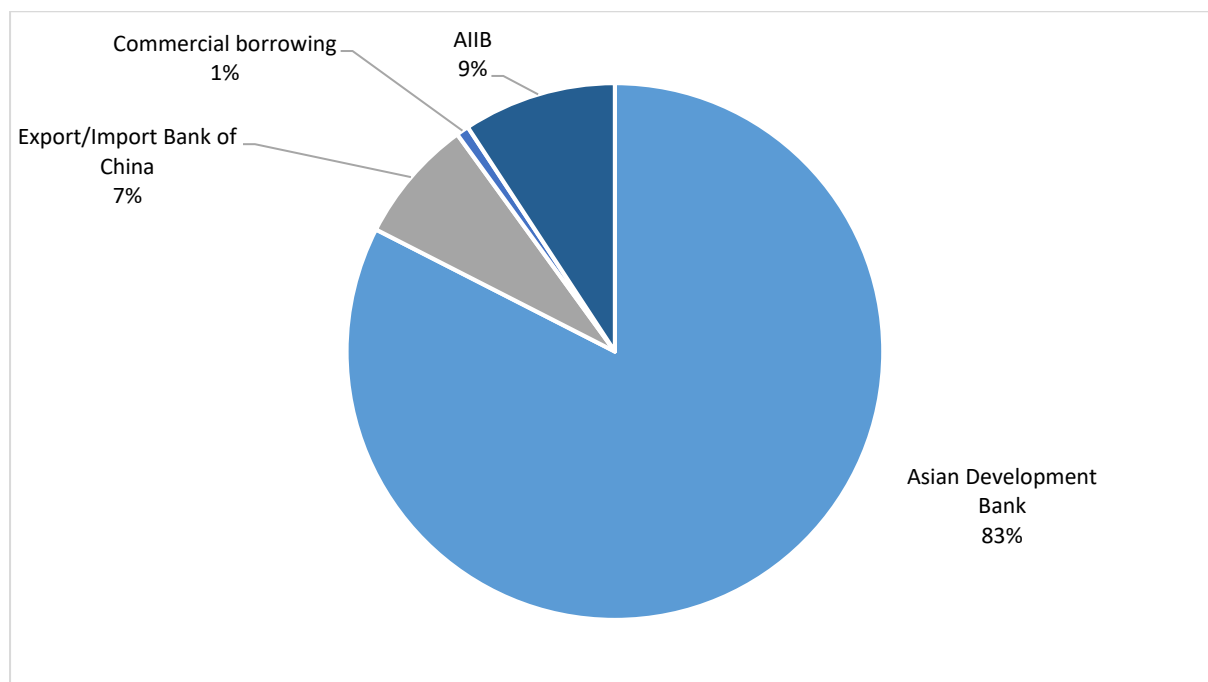


Table 5-7 Overall Debt by Lenders (as at June 2023)

Debt Outstanding (\$ million)	
ADB	167.19
AIB	28.33
Exim Bank China	22.97
Commercial Bank	2.33
Total	220.82

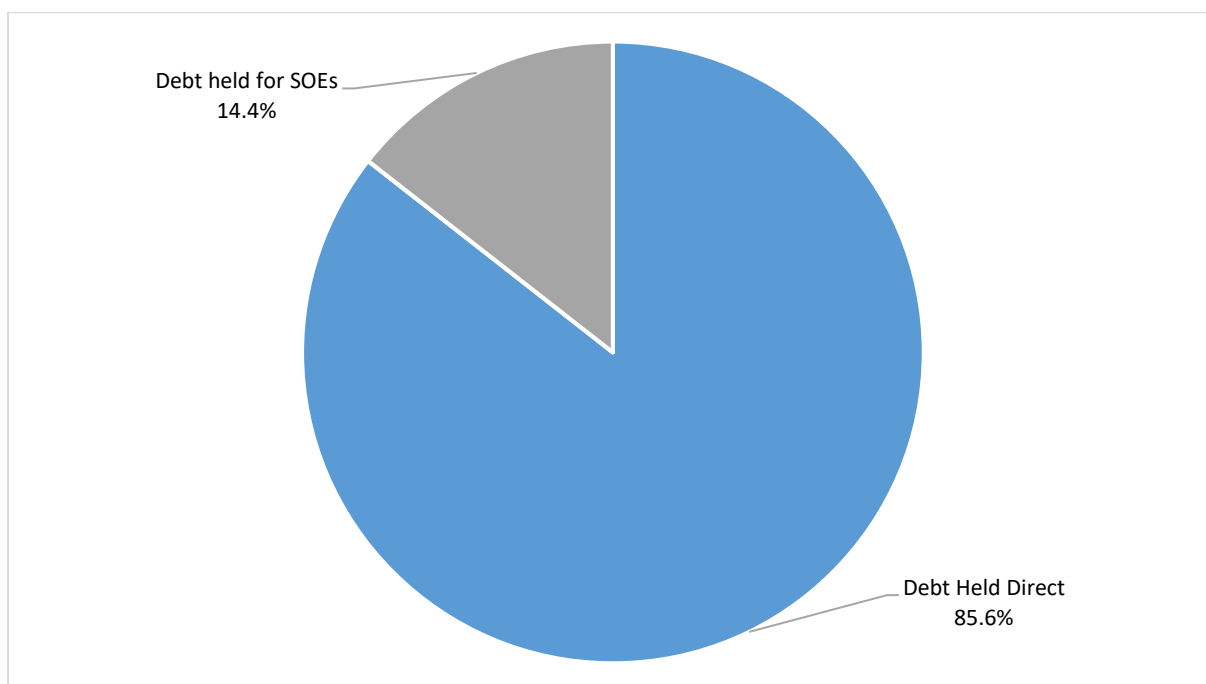
A large proportion of existing debt is limited to one multilateral institution. The ADB have provided the large proportion of lending to the Cook Islands, making up 83 per cent of the debt portfolio. The terms of borrowing have been concessional to date, however increasing limitations in selection of terms, for example interest rate type and tenure, increases the risk within the debt portfolio.

5.5 Other State-Owned Enterprise Debt

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

The existing debt portfolio to the end of June 2023 as illustrated Figure 5-11, 14.4 per cent of Crown debt are on-lent to SOEs (2023: \$44.3 million).

Figure 5-11 Debt held for SOE's (as at June 2023)



5.5.1.1 Avaroa Cable Ltd

The Avaroa Cable Ltd (ACL) is a state-owned enterprise established by the government to manage the Cook Islands' involvement in the Manatua Cable Project and its commercialisation as an international and domestic wholesale operator. The project was in part funded by a loan from the ADB (USD15 million) and \$15 million from the New Zealand Aid Programme.

The ADB loan (2023: \$20.7 million) was drawn down in October 2018 with a repayment grace period of 5 years, the first principal repayment will commence in April 2023. The ACL does not have any additional loan financing requirements planned in the medium term.

5.5.1.2 Cook Islands Ports Authority

The Cook Islands Pearl Authority (CIPA) is expected to resume repayment of its loan from 01 July 2022 following a two-year debt repayment holiday as a result of the pandemic's impact on the Authority's revenue. Following a review of the Authority's financial position, the CIPA Board have advised that cargo volumes have significantly dropped by 47 per cent and continues to operate at a loss. The CIPA is not generating enough revenue to produce cash flow to pay meet all its obligations compared to the pre COVID-19 levels. CIPA are seeking to defer loan repayments further until its trading revenue recovers to pre COVID-19 levels.

5.5.1.3 Airport Authority

The Airport Authority is currently paying off its loan from the commercial bank (2023: \$2.3 million). The estimate includes an additional loan of \$1.6 million to cover the following projects: Aitutaki Runway rejuvenation, replacement of our high voltage cables and the purchase of transformers. Other projects included in the loan relates to the upgrading to the Air New Zealand and Hangar Buildings. The loan is to be secured by registered mortgage debenture over the assets and undertakings of the Airport Authority.

6 Capital Expenditure

6.1 Summary

The Capital Schedule outlines the capital programmes and projects appropriated with Cook Islands Government funding for the 2021/22 financial year and those planned for 2022/23 to 2024/25. As shown in Table 6-1, capital expenditure is estimated at \$27.8 million in 2021/22, and is expected to increase gradually to \$34.2 million in 2022/23 before reducing to \$15.9 million in 2024/25, depending on future funding agreements through the annual budget process.

Since the passing of the 2021/22 Appropriation Act, the 2021/22 Half Year Economic and Fiscal update (HYEFU) was released and published in December 2021. This publication included any capital expenditure movements since the time of the 2021/22 Budget. Various capital expenditure amounting to \$5.8 million was carried forward from 2020/21 to 2021/22, increasing the capital budget to \$37.8 million. The bulk of the increase is due to the carry forward of funds relating to the Bridges and Structures Asset Management and Improvement Programme, the Emergency Management and Support Infrastructure and the Pa Enea Air Infrastructure Improvement Programme.

It is forecast that \$27.8 million will be expended by 30 June 2022, representing an estimated underspend of \$10.0 million in 2021/22. Expenditure has always been lower than budget due to the deferral of major projects for various reasons. The current state of these projects are further outlined in this chapter.

Table 6-1 Total Capital Expenditure (\$'000)

MINISTRY	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Agriculture	49,038	0	0	0	0	0
Audit	0	35,000	35,000	0	0	0
CIIC	5,815,021	8,100,000	6,400,000	7,529,000	4,520,000	3,730,000
Corrective Services	0	50,000	0	0	0	0
Tourism	0	50,000	50,000	0	0	0
Culture	0	0	0	100,000	0	160,000
Education	333,201	447,000	447,000	300,000	300,000	300,000
Health	1,923,368	981,011	981,011	300,000	300,000	300,000
ICI	14,089,565	20,865,713	15,109,511	20,558,001	12,176,800	9,646,800
INTAFF	50,000	50,000	50,000	50,000	50,000	50,000
MFEM	7,053,700	4,530,000	2,061,426	3,861,911	0	0
OPM	242,977	2,081,766	2,081,766	751,000	200,000	1,000,000
MINISTRY TOTAL	29,556,871	37,190,490	27,215,714	33,449,912	17,546,800	15,186,800
Capital Funds Administered by MFEM	479,554	640,000	554,075	710,000	710,000	710,000
GRAND TOTAL	30,036,425	37,830,490	27,769,789	34,159,912	18,256,800	15,896,800

6.1.1 Funding Sources

The Government's capital expenditure is funded from two sources. The first is from the Government cash reserves, which may include debt-sourced funding. The second is Official Development Assistance (ODA) funding from development partners, with New Zealand being a major contributor. The Government and its donor partners jointly fund a significant number of capital projects. Table 6-2 presents the proportion of these funding sources over the medium term.

Table 6-2 Total Capital Expenditure by Funding Source (\$'000)

FUNDING SOURCE	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Cook Islands Government	30,036,425	37,830,490	27,769,789	34,159,912	18,256,800	15,896,800
Official Development Assistance - Projects	10,709,041	28,473,479	12,733,916	65,147,594	864,405	0
MINISTRY TOTAL	40,745,466	66,303,969	40,503,705	99,307,506	19,121,205	15,896,800

6.2 Capital Spending by Agency

The remainder of this chapter provides details on the Cook Island Government funded capital expenditure by implementing Government Agency. Chapter 7 describes the ODA capital (and operating) expenditure budget.

6.2.1 Cook Islands Investment Corporation

Table 6-3 Capital projects, CIIC (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Aitutaki	Aitutaki Harbour Dredging	879,601	1,000,000	1,000,000	0	0	0
Aitutaki	Aitutaki Island Plan & Orongo Development Project	0	0	0	500,000	0	0
Rarotonga	Arorangi Prison Remedial works	129,913	150,000	150,000	0	0	0
Rarotonga	Government Building Projects - Rarotonga	2,323,509	2,200,000	2,200,000	1,079,000	1,070,000	1,230,000
Rarotonga	Land Acquisition	0	700,000	0	700,000	0	0
Pa Enea	Pa Enea Government Building Projects - Northern Group	427,146	550,000	550,000	500,000	250,000	500,000
Pa Enea	Pa Enea Government Building Projects - Southern Group	1,053,300	400,000	400,000	500,000	100,000	0
Rarotonga	Rarotonga Cyclone Shelters - Remediation	0	100,000	100,000	400,000	100,000	0
Rarotonga	To Tatou Vai	460,619	3,000,000	2,000,000	3,000,000	3,000,000	2,000,000
Rarotonga	Airport Authority - Rarotonga Airport Slab Replacement	0	0	0	850,000	0	0
Rarotonga	Rarotonga Airport Refurbishment	118,758	0	0	0	0	0
Rarotonga	Rarotonga Health Projects	215,000	0	0	0	0	0
Rarotonga	Relocation of Oral Health Services	68,504	0	0	0	0	0
Various	FM and TV Telecommunications for the Pa Enea	138,673	0	0	0	0	0
Total		5,815,021	8,100,000	6,400,000	7,529,000	4,520,000	3,730,000

6.2.1.1 Aitutaki Harbour Dredging

The dredging project for Aitutaki Harbour is expected to take approximately 9 months and will clear the channel through the reef. The project has been separated from the Orongo Development Plan and the Aitutaki Island Plan in order to treat the various components separately, with further capital investment not presently scheduled.

The port and the marina are key to Aitutaki's transport infrastructure. A key component to encouraging tourism growth is the upgrade of key public infrastructure facilities and natural attractions.

The Cook Islands Government, jointly with the Aitutaki community has developed the Aitutaki Orongo Development Project, this includes:

- A Town plan
- The Orongo Community Centre
- The Marina
- A Tourism Centre/ office
- The Aitutaki game fishing club
- Orongo public park

Funding approvals for the remaining components of the plan will be revisited in the future.

6.2.1.2 Arorangi Prison Remedial Works

The Arorangi Prison requires remedial works to support continuing use of the prison until the commencement of the Prison Development Plan (under the Ministry of Corrective Services).

6.2.1.3 Government Building Projects – Rarotonga (Ongoing Programme)

This programme is to undertake developments and improvements of Government buildings and facilities on Rarotonga to ensure the public can access core public services. The Cook Islands Government will perform improvements and construction projects to ensure efficient and effective service delivery and a safe environment for staff and the public across Government agencies and facilities.

6.2.1.4 Pa Enea Government Building Projects - Northern Group (Ongoing Programme)

This programme is to undertake development and improvements of Government buildings and facilities across the Pa Enea Northern Group to ensure the public can access core public services. Buildings and facilities across the Pa Enea are key areas of building infrastructure and are most vulnerable to the impact of climate change in the Pa Enea.

CIIC runs an ongoing programme of maintenance identification and building upgrades to undertake building/asset replacements or major renovation/repairs on each island over consecutive fiscal years. Economies of scale in this approach allow for efficient use and pooling of resources, effective procurement, and logistics, and strengthened community and government collaboration on projects.

6.2.1.5 Pa Enea Government Building Projects - Southern Group (Ongoing Programme)

This programme is to undertake development and improvements of Government buildings and facilities across the Pa Enea Southern Group to ensure the public can access core public services. Buildings and facilities across the Pa Enea are key areas of building infrastructure and are most vulnerable to the impact of climate change in the Pa Enea.

CIIC runs an ongoing programme of maintenance identification and building upgrades to undertake building/asset replacements or major renovation/repairs on each island over consecutive fiscal years. Economies of scale in this approach allow for efficient use and pooling of resources, effective procurement and logistics and strengthened community and government collaboration on projects.

6.2.1.6 Rarotonga Cyclone Shelters (Ongoing Programme)

Rarotonga, like the rest of the Cook Islands, is prone to severe floods and vulnerable to the impacts of climate change, such as rising sea levels and an increasing frequency and intensity of cyclones. Government has identified potential safety shelters on Rarotonga for maintenance and/or upgrades to adhere to the 2019 Cook Islands Building Code and relevant safety shelter guidelines. This

programme establishes funding with works to be performed as legal agreements for ongoing access and use to each building used as a shelter are completed.

6.2.1.7 To Tatou Vai Capital (Ongoing Programme)

\$3.0 million dollars has been provided annually until 2023/24, then \$2.0 million from 2024/25 to provide an annual budget ceiling within which To Tatou Vai (TTV) can plan a capital works programme. Of the \$3.0 million dollars allocated in 2021/22, \$2.0 million is estimated to be spent to the end of the fiscal period.

TTV continues to work towards the completion and replacement of asbestos cement mains and transferring water from old water connections to the new sub-mains and branch-mains. TTV will also look to install meters on water connections to the public water supply on Rarotonga. Water meters will enable the identification of consumption levels across Rarotonga.

6.2.2 Ministry of Education

Table 6-4 Capital projects, MOE (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
National	Fund to be Prioritised by Education	333,201	300,000	300,000	300,000	300,000	300,000
Rarotonga	Apii Nikao School Sound Proofing	0	147,000	147,000	0	0	0
	Total	333,201	447,000	447,000	300,000	300,000	300,000

6.2.2.1 Funds to be prioritised by Education (Ongoing Programme)

Government provides funding of \$300,000 annually to allow the Ministry of Education to continue the capital replacement programme for all schools, including replacement plans for computers, photocopiers, other multi-media items, and school and classroom furniture. This was reduced to \$300,000 in 2021/22 and this level of funding has been continued over the medium-term.

6.2.2.2 Apii Nikao Sound Proofing

Addition of sound proofing facilities to the Apii Nikao classroom walls to facilitate a better learning environment. This project is expected to be completed in 2021/22.

6.2.3 Ministry of Health

Table 6-5 Capital projects, MOH (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
National	Fund to be Prioritised by Health	125,169	300,000	300,000	300,000	300,000	300,000
National	CT Scanner	891,383	518,617	518,617	0	0	0
National	Health ICT Upgrade	614,502	35,498	35,498	0	0	0
National	PCR Laboratory	292,314	126,896	126,896	0	0	0
	Total	1,923,368	981,011	981,011	300,000	300,000	300,000

6.2.3.1 Funds to be prioritised by Health (Ongoing Programme)

There are various technical medical instruments and equipment necessary to assist medical professionals with health check-ups. \$300,000 is appropriated per year to ensure the Ministry of Health can purchase equipment when required or apply these funds to critical capital purchases and investments.

6.2.3.2 CT scanner

The purchase and installation of a CT scanner will allow greater diagnostic testing to be performed on Rarotonga, and reduce the ongoing cost of referrals to New Zealand for diagnostics procedures. \$518,617 was approved through carry forward to cover the remaining costs of the CT scan project such as installation and personnel training for the Ministry of Health.

6.2.3.3 Health ICT Upgrade

The Ministry of Health commenced a programme of upgrades to its computer systems in 2019/20, including the installation of a new server. The ongoing project integrates the new server and upgrades existing ICT technology across the Health network, as well as purchasing a new Patient Information Management System to replace the system which is no longer supported since December 2020. \$35,498 was approved through carry forward to cover the remaining works required to complete the ICT Upgrade.

6.2.3.4 PCR Laboratory

\$126,896 has been approved through carry forward to complete the set-up and accreditation of the PCR Laboratory.

6.2.4 Infrastructure Cook Islands

Table 6-6 Capital projects, ICI (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
National	Bridges and Structures Asset Management and Improvement Programme	1,133,799	4,926,201	4,961,628	6,050,000	3,000,000	1,600,000
National	Drainage Asset Management and Improvement Programme	979,832	1,950,000	2,684,650	500,000	500,000	1,000,000
Various	Emergency Management and Support Infrastructure	2,417,759	1,300,652	1,360,800	0	0	0
Penrhyn	Government Building Projects	89,220	1,760,781	600,000	1,360,781	0	0
Rarotonga	Inland and Coastal Waters Asset Management and Improvement Programme	533,317	0	37,237	0	0	0
Various	Pa Enea Air Infrastructure Improvement Programme	539,237	1,263,691	128,262	891,998	0	0
National	Pa Enea Marine Infrastructure Improvement Programme	0	1,700,000	160,198	2,660,000	2,145,000	515,000
National	Roads Asset Management and Improvement Programme	7,969,226	7,000,000	4,576,735	8,730,834	6,531,800	6,531,800
National	Waste Management Infrastructure Improvement Programme	7,549	200,000	100,000	100,000	0	0
National	Water and Sanitation Infrastructure Improvement Programme	285,612	764,388	500,000	264,388	0	0
National	Atiu Road Improvement	134,013	0	0	0	0	0
	Total	14,089,565	20,865,713	15,109,511	20,558,001	12,176,800	9,646,800

6.2.4.1 Bridges and Structures Asset Management and Improvement Programme (Ongoing Programme)

The Cook Islands Government aims to undergo bridge structure replacement works, structural inspections, and repairs to improve safety for the public. Rarotonga has 76 bridge structures on the transport network, some of which require improvements and structural replacement over the medium-term. This programme includes an ongoing schedule of identification and forward work planning.

6.2.4.2 Drainage Asset Management and Improvement Programme (Ongoing Programme)

Drainage is a critical element in relation to the function of both private and public infrastructure, enabling the management of storm-water from road surfaces, properties, and related areas. The Government aims to improve drainage standards, as well as storm-water quality by upgrading the drainage network across various locations into the future, mitigating the impacts of flooding and associated land degradation.

6.2.4.3 Emergency Management and Support Infrastructure (Ongoing Programme)

Most Northern island communities of the Cook Islands are situated on low-lying atolls. These islands have limited elevation above sea level, which exposes them to the risks of sea level rise and inundation, as well as potentially severe impacts from cyclones. Communities utilise schools and or community buildings as shelters in the event of a cyclone or significant storm experience, however many of these buildings are vulnerable and inadequate to withstand higher category storms.

Resilience, and economic development and recovery following a significant storm event on these islands is often hindered by the lack of existing structurally safe secure building infrastructure. As part of Government's priority of improving resilience, and the ongoing development of the Pa Enea, funding for the construction of purpose built cyclone centres has been made available for Palmerston, Penrhyn, Rakahanga, and Nassau since 2016/17.

6.2.4.4 Government Building Project

Health facilities are key to sustaining healthy and productive populations. Te Tautua hospital is near the end of its asset life and a new hospital building will ensure that access to immediate and direct health care is available. Works on the new hospital commenced in 2020/21 and is expected to be completed in 2022/23.

6.2.4.5 Inland and Coastal Waters Asset Management and Improvement Programme (Ongoing Programme)

The inland and coastal waters assets are key to the function and development of both private and public infrastructure. The impacts of unsustainable development, coupled with climate change, has led to increasing peak flows that have caused damage as well as erosion following high sea levels and storm events. Government intends to manage both inland streams and the coastal frontage to provide resilient and safer roads, as well as protection and safety of both public and private infrastructure.

6.2.4.6 Pa Enea Air Infrastructure Improvement Programme (Ongoing Programme)

Air transport is an integral aspect of linking the remote communities of the Cook Islands and provides critical economic and social benefits as well as emergency access during times of need. Government is looking to improve key air infrastructure across the Pa Enea including improvements to the Manihiki, Penrhyn and Atiu Airports initially to allow safe and efficient air transport service across the Pa Enea.

This will improve the function, safety and resilience of this infrastructure and enable continued socioeconomic development within the Pa Enea.

This programme considers design work and subsequent construction, prioritised based on an air transport analysis and roadmap. Initial works have commenced on the Manihiki airport in 2021/22, however completion of the projection is expected to take place in 2022/23.

6.2.4.7 Pa Enea Marine Infrastructure Improvement Programme (Ongoing Programme)

Marine transport is the key means of transport for most goods to the Pa Enea and is the only form of passenger transport for some island communities. This requires the provision of robust, durable harbour structures that are resilient to the impacts of climate change, increased safety for marine operations and reduced damage and loss to vessels, cargo, and equipment.

Infrastructure improvements will support increases in the frequency of inter-island shipping services, as well as the expected increase in the level of service provided for passengers, while minimising adverse impacts on the marine environment. Solutions for Nassau Harbour are still being finalised with design works and construction to follow in 2022/23.

6.2.4.8 Roads Asset Management and Improvement Programme (Ongoing Programme)

The road network and associated infrastructure provide the means for the transportation of goods and services upon which the economic and social development of Rarotonga and the Cook Islands is critically dependent. Roads also provide essential emergency access to communities on both Rarotonga and in the Pa Enea in the case of natural disasters.

The Rarotonga Road network consists of approximately 201 km of road in varying conditions. Parts of the network have significantly deteriorated due to weather events, erosion, and heavy usage and in some cases do not meet required levels of service.

Funding is provided to undertake planned maintenance and improvement works to the road network in line with the forward years' work plan and Road Asset Management plan, which sets the minimum level of service for the road network. Works will address structural pavement issues, roadside drainage, resurfacing, and road widening along with improvements to pedestrian facilities and safety improvements.

Road networks in the Pa Enea are included within this programme, with work to be completed on Mauke and design work for Mangaia in 2021/22, with works on Mitiaro scheduled for 2022/23.

Works presently planned for Rarotonga for the medium-term include the following areas:

- Turangi
- Tikioki
- Nikao Backroad
- Arorangi Main Road
- Aroko road
- Hospital Access Road widening and upgrade.

6.2.4.9 Waste Management Infrastructure Improvement Programme (Ongoing Programme)

The Cook Islands Government is working to improve the waste management infrastructure on Rarotonga and across the Pa Enea. Solid waste is continuing to affect the communities and a more suitable and sustainable approach towards this ongoing issue is required. The Waste Management Infrastructure Improvement Programme considers both waste collection, transport, and disposal.

The islands face risks due to unseparated and untreated wastes, including possible contamination of ground water resources, environmental contamination, inefficient use of available land areas and space, and breeding areas for some disease carrying vectors including rodents and mosquitos.

Currently planned works include the development of a pilot report on school waste streams on Rarotonga. Works on a solid waste disposal system are under discussion for funding support.

6.2.4.10 Water and Sanitation Infrastructure Improvement Programme (Ongoing Programme)

The Pa Enua requires strategies and practical measures, including management, human and physical infrastructure, to be able to deal with these changes and secure the provision of suitable water supply for the future.

The changes to the climate currently being experienced, and increased extreme events predicted, expose the islands to regular droughts and resultant water shortages. Inadequate sanitation, waterborne disease and contamination from solid waste intensifies the impacts by reducing the available water sources for community use.

This requires climate proofing communities through asset rehabilitation, including the development of alternative water supply systems, improved water quality and operation efficiency improvements, and expanding the existing water security and improvement programmes to reduce vulnerability.

Projects within this programme include:

- Pa Enua Community Water Storage Capacity (Penrhyn)
- Atiu Maramou Water Gallery
- Mangaia water supply distribution system upgrade - Karanga (Ivirua)
- Tepuka Sanitation Improvement.

6.2.5 Ministry of Internal Affairs

Table 6-7 Capital projects, Internal Affairs (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Rarotonga	Vaka Maintenance Capital Projects	50,000	50,000	50,000	50,000	50,000	50,000
	Total	50,000	50,000	50,000	50,000	50,000	50,000

6.2.5.1 Vaka Maintenance Capital Projects (Ongoing Programme)

An annual budget of \$50,000 provided to the Ministry of Internal Affairs supports small capital projects such as roadside maintenance and beautification around Rarotonga.

6.2.6 Ministry of Finance and Economic Management

Table 6-8 Capital projects, MFEM (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Rarotonga	FMIS purchase and implementation	75,771	300,000	289,402	10,598	0	0
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	6,822,369	1,000,000	983,337	0	0	0
Rarotonga	Mei Te Vai ki Te Vai	0	0	0	0	0	0
Rarotonga	COVID-19 Response Fund - Capital Needs	98,950	1,400,000	400,000	1,000,000	0	0
Rarotonga	Revenue Management System upgrade (RMS10)	0	1,830,000	388,687	2,851,313	0	0
Rarotonga	The Centre of Excellence in Information Technology (CEIT) - Capital Purchases	56,610	0	0	0	0	0
	Total	7,053,700	4,530,000	2,061,426	3,861,911	0	0

6.2.6.1 Financial Management Information System

The Cook Islands Government aims to improve the Government's financial management database and systems. The Financial Management Information System (FMIS) is a standardised and integrated central database that allows Government agencies access to Government data and implements payments and accounting workflow processes. Funding provided in 2021/22 is to increase the pace of the rollout of the system across government.

6.2.6.2 Te Mato Vai – Rarotonga Water Upgrade

The Government aims to improve Rarotonga's water infrastructure by implementing a reticulated water system, which delivers reliable potable water directly to households. The purpose of the Te Mato Vai project is to replace Rarotonga's aging water network, improve storage and introduce appropriate treatment.

6.2.6.3 COVID-19 Response Fund – Capital Needs

This fund provides a flexible source of capital funding to support Government's work strengthening the Cook Islands border, quarantine, and health response to COVID-19. The fund is managed by MFEM but may support works by other agencies.

6.2.6.4 Revenue Management System Upgrade (RMS10)

MFEM's Revenue Management Division will implement an upgrade to its licensed tax management software platform RMS7 to RMS10 (Revenue Management System 10). The upgrade will occur in 5 phases, with the first phases commencing in 2021/22 and 2022/23. The later phases will be planned and implemented as the subsequent phases are successfully completed.

6.2.7 Office of the Prime Minister

Table 6-9 Capital projects, OPM (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
National	Government IT Network Telecommunications	116,103	1,760,766	1,760,766	551,000	0	800,000
National	Universal Access Programme	0	0	0	200,000	200,000	200,000

Atiu	Atiu Power Distribution	65,537	0	0	0	0	0
National	Renewable Energy Project Management and Support	61,337	321,000	321,000	0	0	0
Total		242,977	2,081,766	2,081,766	751,000	200,000	1,000,000

6.2.7.1 Government IT Network (Ongoing programme)

Funding has been provided to enable the Office of the Prime Minister to implement a whole of Government ICT network upgrade. This includes the replacement of ICT equipment, upgrades to the current central server room, and the establishment of an external data backup centre to house whole of Government information and to ensure business continuity and security. This funding also supports the ongoing implementation and maintenance of the Government network. This includes work on integrating the Pa Enea into the Government network.

6.2.7.2 Renewable Energy Project Management and Support

This funding continues a program of works, which includes the installation of renewable energy systems in the Pa Enea, covering the installation and upgrades to solar panel and battery arrays, along with related electricity network upgrades, which includes the provision of energy efficient road lighting where appropriate. In 2021/22, the installation of road lighting in Mauke and Mitiaro is planned to coincide with roadworks being undertaken by ICI.

6.2.8 Capital Distribution Funds – Administered by MFEM

Table 6-10 Capital projects, Administered by MFEM (\$)

MINISTRY/ ISLAND	Project / Programme	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
National	Capital Distribution Fund	383,104	230,000	230,000	300,000	300,000	300,000
National	Pa Enea Capital Distribution Fund	0	300,000	300,000	300,000	300,000	300,000
Pa Enea	Outer Islands Small Capital Fund	96,450	110,000	24,075	110,000	110,000	110,000
Total		479,554	640,000	554,075	710,000	710,000	710,000

6.2.8.1 Capital Distribution Fund (Ongoing Programme)

The Ministry of Finance and Economic Management is responsible for administering the Capital Distribution Fund (CDF). This includes the purchase and replacement of vehicles and small capital equipment across Government Agencies to bring them up to acceptable standards in line with the Government Fleet Management Plan Policy.

6.2.8.2 Pa Enea Capital Distribution Fund (Ongoing Programme)

The Pa Enea CDF is intended for the purchase of standardised equipment to provide for a baseline level of equipment to each island administration, based on specified parameters. Each administration will be required to maintain current asset management plans to access the fund.

6.2.8.3 Outer Islands Small Capital Fund (Ongoing Programme)

Each Island of the Pa Enea is allocated an annual capital budget from which to purchase small capital items each year.

7 Official Development Assistance

This chapter provides detail of donor contributions appropriated as Official Development Assistance (ODA) projects in line with Government priorities. This chapter should be read in conjunction with the capital chapter as Cook Islands Government-funded infrastructure projects are detailed there.

Estimated expenditure for ODA in 2021/22 is \$79.2 million compared to the \$101.7 million reported at the time of the HYEPU update, or 78.0 per cent of the total ODA appropriation. Expenditure was predominantly driven by the extension of some of the business support measures under the Economic Recovery Roadmap (ERR) as part of the Cook Islands COVID-19 response¹⁴. Furthermore, large infrastructure projects such as the Te Mato Vai remediation, Mei Te Vai Ki Te Vai and the Rarotonga Airport Refurbishment also contributed towards the overall estimated expenditure for 2021/22.

Donor contributions have increased substantially over the past two fiscal periods due to the support received for the Cook Islands' response to COVID-19 and its implementation of the Economic Response Plan, Economic Recovery Roadmap and health and border system strengthening.

7.1 New Zealand Programmes

General Budget Support

This is financial support received by the Cook Islands Government to be allocated towards general operations. It is included in the ODA schedule but does not contribute to the total, as it is reflected in government revenues.

Cook Islands Core Sector Support

The Core Sector Support (CSS) Grant Funding Arrangement (GFA) with New Zealand is valued at \$31.4 million over four years from 2019/20 to 2022/23. For the final year, 2022/23, there is a remaining balance of \$7.8 million committed towards this programme. The purpose of the CSS is to enhance the Cook Islands' ability to be self-sufficient by enabling predictable, efficient, and effective delivery of key development objectives, together with practical policy reform.

The CSS Program provides direct budget support to the Ministry of Education, Cook Islands Tourism, and the Ministry of Health to improve indicators directly related to the Cook Islands National Sustainable Development Agenda (NSDA) 2020+. In addition, funding has been allocated for technical assistance and public sector strengthening. The CSS can also fund projects identified as a priority for the Cook Islands, allowing for a flexible response to needs as they arise.

COVID-19 Vaccination Programme

The COVID-19 vaccination rollout began on 18 May 2021. With the support of the New Zealand Government, the Cook Islands managed to secure sufficient Pfizer vaccines to provide full vaccination coverage of its eligible population. Support provided by New Zealand in procuring and delivery of the vaccine to the Cook Islands is estimated at around \$200,000 to date since the beginning of the vaccination rollout.

COVID-19 Economic Recovery Roadmap Support – July 2021

The New Zealand Government provided a contribution of \$30.0 million to the Cook Islands Government to support the Cook Islands' Economic Recovery and government cash reserves. This contribution is made available under the New Zealand Aid Programme's Cook Islands programme.

¹⁴ This was largely able to be funded due to General Budget Support from New Zealand

The contribution is managed and administered by the Ministry of Finance and Economic Management (MFEM) as general budget support to achieve the purposes under the Cook Islands Economic Recovery Roadmap (ERR) which is to encourage economic recovery from the impacts of the COVID-19.

COVID-19 Economic Recovery Budget Support – November 2021

In November 2021, the New Zealand Government provided an additional \$20.0 million to the Cook Islands Government to strengthen government cash reserves and help fund the immediate and short-term costs of supporting livelihoods, social protections, core public services and COVID-19 preparedness in the Cook Islands. This contribution is made available under the New Zealand Aid Programme's Cook Islands programme.

The contribution is managed and administered by MFEM. \$10.0 was million allocated to support immediate expenditure priorities through general budget support. The remaining balance was allocated to support programmes and initiatives that achieve the purposes under the ERR and health preparedness for COVID-19.

COVID-19 Co-operation (China)

Implementing Agency: Ministry of Finance and Economic Management

Total estimated spend to date: \$90,302

The People's Republic of China Embassy provided NZ\$240,000 as non-project grant funds towards Cook Islands COVID-19 response measures. These funds have been valuable in supporting the Cook Islands response to the pandemic through the Cook Islands Medical Response Fund. The medical response fund provides support to respond effectively to emerging health and border control needs to prevent, mitigate and limit the spread of COVID-19 within the Cook Islands.

Cook Islands-New Zealand Infrastructure Trust Fund

In March 2022, the New Zealand Government confirmed a further grant contribution of \$40.0 million to the Infrastructure Trust Fund (ITF) to help stimulate the Cook Islands' economy and strengthen its overall resilience through capital works.

The allocation of trust funds money to infrastructure projects is mutually agreed between both the New Zealand Government and the Cook Islands Government. The management and use of the ITF is overseen by the MFEM.

New Zealand Volunteers Services Abroad – New Zealand

Implementing Agencies: Office of the Public Service Commissioner

Total estimated spend to date: \$200,000

Volunteers Services Abroad (VSA) is New Zealand's largest and most experienced volunteer agency working in international development. VSA offers both long (12 months and over) and short-term volunteering assignments, as well as e-volunteering, which has been central to VSA operations since the onset of the COVID-19 pandemic.

The VSA program arrangement with the Cook Islands Government was established to provide expertise to meet capacity gaps on a temporary basis in the Cook Islands and to promote the development of Cook Islanders through transfer of valuable skills, knowledge, and experience.

Manatua Submarine Cable (ICT cable) – New Zealand Grant

Implementing Agencies: Avaroa Cable Ltd

Total estimated spend to date: \$944,231

Avaroa Cable Ltd (ACL) is a Crown corporate entity that manages the Cook Islands involvement in the Manatua Cable project and its commercialisation as an international and domestic wholesale operator. The ACL manages the Cook Islands two cable-landing stations and oversaw the cable procurement, construction, and deployment. The Manatua Cable has been live since July 2020 and is now carrying contracted revenue generating customer traffic, achieving 100 per cent availability to date.

Mei Te Vai Ki Te Vai (MTVKTV) Project

Implementing Agency: Ministry of Finance and Economic Management

Total estimated spend to date: \$750,000

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.

For further information please visit <https://www.totatouvai.co/mei-te-vai-ki-te-vai>

Asset Management

Implementing Agency: Ministry of Finance and Economic Management

Total estimated spend to date: \$2,950,000

The Cook Islands received a \$13.0 million grant from NZ in December 2018 towards supporting Asset Management. This will contribute towards the maintenance and report of Te Mato Vai (TMV).

Rarotonga Airport Upgrade Designs

Implementing Agencies: Cook Islands Airport Authority

Total estimated spend to date: \$271,462

A total of NZ\$1,473,200 will be provided to the Airport Authority Cook Islands through the Cook Islands Government. The funding will be used to review the airport development plan, hire consulting services to prepare design and tender documentation for the revised airport terminal requirements including the required strengthening of the airport apron and storm water drainage system. By having the design work and construction documentation prepared, it will enable Airport Authority Cook Islands to access contraction financing from the private sector, commercial sources, or other development partners.

Improving Geospatial Data - LiDAR

Implementing Agencies: Infrastructure Cook Islands

Total estimated spend to date: \$500,000

This project aims to address existing data gaps by collecting high-resolution topographic data and associated imagery which will support applications such as the assessment of coastal inundation and flooding hazards, environmental monitoring and management, infrastructure and development planning, policy development and implementation as well as responses to climate change impacts across the Cook Islands.

7.2 European Union Programmes

European Development Fund – Budget Support to the Sanitation Sector

Implementing Agency: Ministry of Finance and Economic Management

Total estimated spend to date: \$97,579

The purpose of this funding is to support the Cook Islands' priority to improve the Sanitation Sector. This funding focuses on upgrading commercial facility sewage systems on Aitutaki and Rarotonga to meet the Public Health (Sewage and Wastewater Treatment and Disposal) Regulations 2014.

Sustainable Fisheries Partnership Agreement - Multiyear (Fisheries) Policy Support

Implementing Agency: Ministry of Marine Resources

Total estimated spend to date: \$150,000

The negotiations for a new protocol under the Sustainable Fisheries Partnership Agreement (SFPA) was successfully completed in November 2021, which includes an annual fisheries sector contribution of EUR \$350,000 by the European Commission under a three-year protocol. The sectoral support component of the SFPA is utilised to supplement the Ministry of Marine Resources' budget appropriations to implement the Multiannual Sectoral Programme.

Global Climate Change Alliance Plus: Scaling up Pacific Adaption Project

Implementing Agencies: Office of the Prime Minister / Ministry of Marine Resources

Total estimated spend to date: \$133,000

The Global Climate Change Alliance Plus-Scaling up Pacific Adaptation (GCCA+SUPA) project has three main priorities: 1) mainstreaming climate change issues into poverty reduction and development efforts; 2) increasing resilience to climate-related stresses and shocks; and 3) supporting the formulation and implementation of concrete and integrated sector-based climate change adaptation and mitigation strategies.

The three-key outputs for the GCCA+SUPA Project are to:

6. Strengthen strategic planning at national levels
7. Enhance the capacity of sub-national government stakeholders to build resilient communities
8. Scale up resilient development measures in specific sectors

Following a series of consultations with Government and NGOs, Climate Change Cook Islands will focus on integrating climate resilience and traditional knowledge for the marine sector, into extra-curricular environmental education programmes on selected outer islands in the Southern Group.

7.3 Japan Programmes

Economic and Social Sector Programme 2018 – Japanese Machinery and Equipment

Implementing Agencies: Ministry of Finance and Economic Management

Total estimated spend to date: \$870,558

The purpose of this grant is, to purchase machinery and equipment to assist government agencies in the delivery of public services such as infrastructure rehabilitation. Japan International Cooperation Systems are the procuring agent for this project, with an indicative timeline for this project spanning from March 2019 to June 2022.

Co-financing from the Cook Islands Government includes an exemption on relevant VAT import taxes for approved ODA imports in accordance with the Cook Islands Value Added Tax Act 1997.

Economic and Social Sector Programme 2020-01 – COVID-19 Response Assistance

Implementing Agencies: Ministry of Finance and Economic Management

Total estimated spend to date: \$844,626

This grant provides the assistance to procure medical equipment to support the Cook Islands' health response to COVID-19 to elevate clinical and diagnostic support and to strengthen the provision of health services to the community.

Economic and Social Sector Programme 2020-02 – COVID-19 Response Assistance

Implementing Agencies: Ministry of Finance and Economic Management

Total estimated spend to date: \$62,000

The grant supports the purchase of additional medical products and equipment to strengthen the Cook Islands' health system to better address future unexpected shocks from COVID-19. In addition, the grant supports the procurement of essential equipment to support the provision of reliable access to clean water for all users, particularly during periods of low rainfall in Rarotonga.

Japan For Poverty Reductions – Supporting Safe Recovery of Travel and Tourism in Cook Islands – (administered by Asian Development Bank)

This project supports targeted activities such as airport readiness, health readiness, testing capacity, contact tracing and project management resource for the establishment of a safe travel zone between the Cook Islands and New Zealand.

Grant Assistance for Grassroots Projects - Japan

Implementing Agencies: Ministry of Finance and Economic Management

Total estimated spend to date: \$250,000

This funding offers a financial assistance program for development projects designed to meet the diverse needs of developing countries. The grant funding supports projects proposed by various bodies such as non-governmental organisations (NGOs) and local Government authorities.

In September 2021 and March 2022 respectively, delegates from the Embassy of Japan in Wellington, New Zealand signed two new projects. Management of the project deliverables and financing are directly between the Government of Japan and the grant recipients. As such, the budget reflected in the table above relate to the two newly signed projects.

7.4 United Nations Programmes

Global Environment Facility - Renewable Energy Grant (Southern Group) - (administered by Asian Development Bank)

Implementing Agencies: Office of the Prime Minister

Total estimated spend to date: \$167,161

The co-financing from the Global Environment Facility (GEF) has supported the Government's effort to increase power generation from renewable sources and enhancing the institutional capacity for implementing the Cook Islands Renewable Energy Chart Implementation Plan (CIRECIP). The GEF funded contract for the battery energy storage system (BESS) has been installed at the Te Mana RA

Solar PV facility at the Rarotonga Airport for integration into the existing power system infrastructure. The Airport West BESS is connected to the electricity grid that is managed by Te Aponga Uira (TAU). The BESS will provide flexible response to fluctuating Solar PV output in the TAU network.

Western Pacific Multi-Country Integrated HIV/TB program – United Nations Development Programme

Implementing Agencies: Ministry of Health

Total estimated spend to date: \$74,897

The United Nations Development Programme (UNDP) manages the Multi-Country Western Pacific Integrated HIV/TB Programme. It aims to improve the coverage and quality of HIV/TB prevention, treatment, and care in 11 participating Western Pacific countries. The HIV activities includes strengthening mobile HIV testing and counselling initiative, continuation of the counselling and testing program. The TB activities include monitoring and evaluation of policies implemented in hospitals and centres, training of community volunteers, community awareness and training of health staff on contact tracing.

7.5 Green Climate Fund Programmes

The Cook Islands can directly access climate related finance of up to approximately (US\$50 million) per project through its accreditation with the Green Climate Fund (GCF). This is a significant achievement for the Cook Islands.

The Ministry of Finance and Economic Management have submitted two Concept Notes under the GCF funding modalities of Simplified Approval Process (SAP) and Enhanced Direct Access (EDA).

The “Building a Resilient and Healthy Cook Islands Communities” Concept Note submitted in July 2020 was approved by the GCF Secretariat to proceed to the next stage with support through the Project Preparation Facility (PPF) to prepare and submit a full proposal. The PPF Grant Funding Agreement is now disbursed with work to develop the full project proposal underway.

The Concept Note under the EDA modality for “Direct financing for communities and businesses to respond to climate change in the Cook Islands” was first submitted to GCF in October 2020. This Concept Note is currently undergoing review by the GCF Secretariat.

The Ministry of Finance and Economic Management (MFEM) fourth readiness programme to strengthen the implementation of the country’s programme through Concept Note development, and ongoing capacity building within OPM, MFEM, the Bank of Cook Islands (BCI) and the Private Sector is currently under implementation and wrapping up in July 2022. The readiness support will also support activities such as the BCI’s accreditation to the fund and the development of an SAP and EDA proposal, which have commenced.

Green Climate Fund Readiness

Implementing Agencies: Ministry of Finance and Economic Management, Office of the Prime Minister

Total estimated spend to date: \$471,683

This readiness funding enables capacity building within the Office of the Prime Minister, MFEM, Bank of the Cook Islands (BCI) and the Private sector. The programme activities include assisting BCI to gain Green Climate Fund (GCF) accreditation, developing a Simplified Approval Process Proposal, Readiness support for National Adaptation Planning and an Enhanced Direct Access Project Proposal.

Green Resilient Recovery – Readiness 5

Implementing Agencies: Ministry of Finance and Economic Management, Office of the Prime Minister

Total estimated spend to date: \$50,000

The Green Resilient Recovery (GRR) Readiness proposal is aimed at strengthening the climate change aspects of the Economic Development Strategy (EDS) and the NSDA.

Activities under GRR will support Objective 5; “Greening our Economy” of the EDS and to build climate change resilience.

The NSDA provides an opportunity to have climate change as a central component of the primary development planning document for the Cook Islands, by increasing and developing the ‘green’ and climate change aspects of this strategy, as it evolves.

The Green Resilient Recovery Readiness programme for US\$300,000 has been approved by the GCF.

Enhancing National Adaptation Programme

Implementing Agencies: Ministry of Finance and Economic Management, Office of the Prime Minister

Total estimated spend to date: \$100,000

This programme looks to address climate change-related knowledge gaps in the Cook Islands Adaptation Approach and strengthening the adaptation planning and legal frameworks to support the implementation of the country programme.

The proposed activities will build knowledge and capacity to consider, the potential impacts of slow-onset events such as sea-level rise and ocean acidification, and the long-term adaptive response to those impacts. Furthermore, this proposal includes activities to assess vulnerability of privately-owned infrastructure and climate change impacts on businesses at a sector level.

Project Preparation Facility – Building Resilient and Healthy Cook Island Communities

Implementing Agencies: Ministry of Finance and Economic Management

Total estimated spend to date: \$80,000

A Project Preparation Facility (PPF) application was approved to develop the full proposal for the recently approved concept note “Building resilient and Healthy Cook Island Communities”. The PPF support will enable the Cook Islands to gather baseline data to support the demonstration of project relevance against the investment criteria of the GCF.

Enhancing climate information and knowledge services for resilience in 5 island countries of the Pacific Ocean

Implementing Agencies: Ministry of Finance and Economic Management, Ministry of Transport, Office of the Prime Minister

Total estimated spend to date: 240,000

This Project was approved at the Green Climate Funds’ 27th Board meeting. The project will focus on strengthening the Cook Islands climate and ocean data collection and information flow. This is a regional project involving Niue, Palau, Republic of the Marshall Islands and Tuvalu. The United Nations Environment Programme is the accredited entity and MFEM is the national executing entity for the activities within the Cook Islands.

Green Climate Fund – Renewable Energy Grant (Southern Group) – administered by ADB

Implementing Agencies: Office of the Prime Minister

Total estimated spend to date: \$2,196,283

The Airport South BESS contract was awarded to Vector on 30 September 2018, to implement two units of 1.0 MW/4.0MWh (a total of 2.0MW/8.0MWh) battery energy storage system (BESS) for load shifting capability at the Rarotonga airport south. This BESS is online and maintains constant state of charge and is configured to provide network frequency and voltage support.

Rarotonga Power Station BESS Lot 1 turnkey contract site is now substantially ready for installation of BESS containers. The shipping of the containers has been delayed due to logistical impacts caused by COVID-19. The containers are tentatively scheduled to arrive in Rarotonga in November 2021.

7.6 India Donor Grant

India Grant

Implementing Agencies: Ministry of Finance and Economic Management

Total estimated spend to date: \$27,882

This funding is to assist projects that support, promote, or develop social, cultural, or economic development and sustainability, whilst directly serving the basic needs of the community.

The 2018/19 funding round was advertised in November 2018. A total of 19 concept notes were received in December 2018 and of these, eight were approved by the National Sustainable Development Committee and recommended for approval to the India High Commission. The Memorandum of Understanding was signed in October 2021. The Implementation Agreement for each individual project is currently in progress with the implementation expected to start in July 2022.

7.7 Adaptation Fund Programmes

Pa Enea Action for Resilient Livelihoods (PEARL)

Implementing Agencies: Ministry of Finance and Economic Management

Total estimated spend to date: \$1,308,879

The funds have been utilised to strengthen national and local capacity to reduce climate change risks, to establish climate resilient water management instruments and to revitalise agricultural production systems to support greater food security and protect livelihoods in the Pa Enea communities.

7.8 Private Donor

National Archive Digitisation

Implementing Agencies: Ministry of Cultural Development

Total estimated spend to date: \$140,301

The late Julie Gayle Speaker of the United States of America visited the Cook Islands in the late 1970s and was amazed with the documents preserved in the National Archives. She dedicated part of her estate to the Cook Islands National Archives for the purpose of digitization document records from the 1950s to date. Crown Law and Julie Speaker's legal representatives have developed the agreements for the transfer of funds to the Cook Islands' Government for the purpose recognized in the estate, amounting to \$155,000 USD.

Intangible Cultural Heritage

Implementing Agencies: Ministry of Cultural Development

Total estimated spend to date: \$96,000

This project focuses on researching and recording Intangible Cultural Heritage for performing arts in the Cook Islands. The aim is to record and store the traditional knowledge of elders within the community on performing, to preserve this information for future generations. Chosen representatives will be taught respectable and viable ways of researching and recording information from their home islands while the Ministry of Cultural Development will assist with overseeing the project to ensure that all protocols are followed in obtaining permissions, researching, recording and the storing of data.

Aid Effectiveness

The Aid Effectiveness budget is drawn from the interest earned on development partner trust accounts and is used to support the implementation of official development assistance policy. The program currently contributes to several projects including the following: annual meeting of development partners, surge capacity to catch-up and standardise Crown financial statements, training and set-up of project financial management software and support project development in the areas of climate finance. Total estimated spend to date is \$100,000.

Global Environment Facility – Small Grants Programme

Implementing Agencies: Cook Islands Red Cross Society

Total estimated spend to date: \$375,000

As a corporate programme of the Global Environment Facility (GEF), the Small Grants Programme (SGP), implemented by the United Nations Development Programme (UNDP) aligns its Operational Phase strategies with those of the GEF and co-financing partners, and provides a global portfolio of *innovative, inclusive, and impactful* projects that address global environmental and sustainable development issues.

Operational Phase 7 (OP7) aims to “effectively support creation of global environmental benefits and the safeguarding of global environment through community and local solutions that complement and add value to national and global level action.” The focus of support for community-based activities are on conservation of biodiversity, waste management, prevention of land degradation, capacity building and awareness programmes to address climate change. Under OP7, an amount of USD250,000 has been allocated to the Cook Islands. Calls for proposal under OP7 are currently underway with successful applicants to be announced in July 2022.

8 Schedules

8.1 Statement of Fiscal Responsibility (Operating)

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Operating Revenue						
Taxation Revenue	86,520	105,991	107,557	139,310	157,705	162,703
Other Crown Revenue	62,556	56,821	52,673	13,251	13,239	13,160
Trading Revenue	4,041	4,444	5,404	4,954	4,974	4,974
Interest on Loans to Subsidiaries	0	0	0	1,317	1,280	1,216
Dividends	0	0	0	600	760	1,202
Interest on Balances	926	391	276	395	200	200
Core Sector Support	7,825	7,825	7,825	7,825	0	0
Total Operating Revenue	161,868	175,472	173,736	167,652	178,157	183,455
Operating Expenditure						
Ministry Outputs	199,304	166,711	157,332	140,986	133,646	133,392
Personnel	62,855	67,589	62,714	69,481	69,719	69,758
Operating	21,368	18,352	16,936	17,955	18,125	18,100
Administered Payments	109,181	73,617	71,404	46,560	38,797	38,528
Depreciation	5,900	7,154	6,277	6,990	7,006	7,006
POBOC	28,597	28,714	28,316	32,350	31,052	30,810
Total Other Operating	6,927	10,978	11,037	13,707	14,143	13,767
Debt Interest Contribution to LRF	0	4,051	3,980	6,780	7,216	6,840
Asset Management (CIIC)	0	0	0	0	0	0
Crown Infrastructure Depreciation	4,603	4,603	4,603	4,603	4,603	4,603
Transfer to Emergency Response Trust Fund	50	50	50	50	50	50
Depreciation Contingency Fund	2,174	2,174	2,174	2,174	2,174	2,174
Chinese Equipment	0	0	0	0	0	0
Rarotonga Water Network	803	803	803	803	803	803
Northern Pa Enua Renewable Energy System	400	400	400	400	400	400
Southern Pa Enua Renewable Energy System (excl. Aitutaki)	971	971	971	971	971	971
Other Assets	0	0	0	0	0	0
Contingency Funds - Operating	100	100	230	100	100	100
Contributions to CISWF	0	0	0	0	0	0
Total Operating Expenses	234,828	206,404	196,685	187,043	178,841	177,969
Operating Surplus/(Shortfall)	-72,960	-30,932	-22,950	-19,391	-684	5,486

8.2 Statement of Fiscal Responsibility (Non-Operating)

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Reductions in Net Borrowings	(73,742)	(48,330)	(48,204)	6,273	10,924	12,787
Loan Receipts/Drawdown	(80,923)	(55,540)	(55,540)	0	0	0
Principal repayment	7,182	7,210	7,336	7,737	13,028	14,975
Subsidiary Loan Repayments - Principle	(1)	0	0	(1,464)	(2,104)	(2,188)
Capital Expenditures	30,036	37,830	27,770	34,160	18,257	15,897
Ministries and Outer Islands (Including CIIC Capital)	30,036	37,830	27,770	33,310	18,257	15,897
<i>Infrastructure Capital Investment in SOEs</i>	0	0	0	850	0	0
<i>Airport Authority</i>	0	0	0	850	0	0
<i>Te Aponga Uira</i>	0	0	0	0	0	0
Contingency Funds - Capital Expenditure	0	0	0	0	0	0
Foreign Aid - Capital	0	0	0	0	0	0
Receipts	10,709	28,473	12,734	65,148	864	0
Expenditure	(10,709)	(28,473)	(12,734)	(65,148)	(864)	0
Other Committed Considerations	7,018	3,594	3,594	3,594	3,594	50
Transfer to Reserve Trust Fund	0	0	0	0	0	0
Stabilisation Fund	0	3,544	3,544	3,544	3,544	0
Advanced Subsidiaries - Avaroa Cable Ltd	6,968	0	0	0	0	0
Infrastructure Trust Fund	0	0	0	0	0	0
Emergency Response Trust Fund	50	50	50	50	50	50
Total Non-Operating balance	(36,688)	(6,906)	(16,841)	(44,027)	(32,774)	(28,734)
To be Funded by						
Operating Surplus	(75,370)	(30,932)	(22,950)	(19,391)	(684)	5,486
Depreciation	12,676	13,931	13,054	13,767	13,783	13,783
<i>of which: R.E. Capital Replacement</i>	1,371	1,371	1,371	1,371	1,371	1,371
General Cash Reserves	99,332	10,915	13,388	35,084	(618)	(12,400)
<i>Pa Enuu Accrued Savings</i>	0	30	30	0	0	0
<i>Stabilisation Fund</i>	0	0	0	0	0	0
Contribution to Loan Reserve Fund	0	12,912	13,268	14,517	20,243	21,815
Transfer IN and OUT of Infrastructure Trust Fund	0	0	0	0	0	0
Transfer to Emergency Response Trust Fund	50	50	50	50	50	50
Total Funding Items	36,688	6,906	16,841	44,027	32,774	28,734
Net Surplus/Shortfall	0	0	0	0	0	0

8.3 Fiscal Indicators Table

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Statement of Financial Performance						
Taxation Revenue (\$m)	86.5	106.0	107.6	139.3	157.7	162.7
Social Contributions (\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenue (\$m)	75.3	69.5	66.2	28.3	20.5	20.8
Total Operating Revenue (\$m)	161.9	175.5	173.7	167.7	178.2	183.5
Total Operating Revenue Percentage of GDP	37.5	36.0	35.9	29.6	28.3	28.1
Tax Revenue Percentage of GDP	20.0	21.8	22.2	24.6	25.0	25.0
Total Cyclical Revenue (\$m)	2.4	11.1	6.6	11.5	11.6	11.6
Total Cyclical Revenue Percentage of GDP	0.6	2.3	1.4	2.0	1.8	1.8
Total Structural Revenue (\$m)	159.5	164.4	167.2	156.2	166.5	171.8
Total Structural Revenue Percentage of GDP	36.9	33.7	34.5	27.5	26.4	26.4
Personnel (\$m)	69.7	74.8	69.5	76.4	76.7	76.8
Percentage of Total Revenue	43.1	42.6	40.0	45.6	43.1	41.8
Percentage of Structural Revenue	43.7	45.5	41.6	48.9	46.1	44.7
Total Operating Expenditure (\$m)	234.8	206.4	196.7	187.0	178.8	178.0
Percentage of GDP	54.4	42.4	40.6	33.0	28.4	27.3
Percentage of Operating Revenue	145.1	117.6	113.2	111.6	100.4	97.0
Cash Operating Expenditure*	221.8	192.4	183.6	173.1	165.3	164.6
Operating Balance (\$m)	-73.0	-30.9	-22.9	-19.4	-0.7	5.5
Percentage of GDP	-16.9	-6.3	-4.7	-3.4	-0.1	0.8
Capital Expenditure	30.0	37.8	27.8	34.2	18.3	15.9
Depreciation	12.7	13.9	13.1	13.8	13.8	13.8
Non-Operating Balance (\$m)	-36.7	-6.9	16.8	-44.0	-32.8	-28.7
Fiscal Balance surplus/deficit (\$m) *	-90.3	-54.8	-37.7	-39.8	-5.2	3.4
Percentage of GDP	-20.9	-11.3	-7.8	-7.0	-0.8	0.5
Statement of Financial Position (\$m)						
Assets (\$m)	547.7	591.3	584.9	627.4	615.5	606.2
Liabilities (\$m)	361.4	410.5	413.2	403.3	393.7	379.9
Crown Balance (\$m)	186.3	180.8	171.6	224.1	221.8	226.3
Percentage of GDP	43.2	37.1	35.5	39.5	35.2	34.7
Working Capital (\$m)	53.6	42.8	62.4	16.9	1.4	-7.4
Working Capital (months coverage)	2.9	2.7	4.1	1.2	0.1	-0.5
Stabilisation Account	3.5	3.5	3.5	3.5	3.5	3.5
General Cash Reserves	57.1	46.3	65.9	20.4	4.9	-3.9
Statement of Borrowings (\$m)						
Gross Debt end of FY (\$m)	176.6	225.7	228.5	218.5	208.9	195.1
Gross Debt, Percentage of GDP	40.9	46.3	47.2	38.5	33.2	29.9
Net Crown Debt, end of FY (\$m)	165.0	212.1	215.9	205.8	196.1	182.2
Net Debt, Percentage of GDP	38.2	43.5	44.6	36.3	31.1	28.0
Loan Repayment Reserves Held (\$m)	11.7	13.7	12.5	12.7	12.8	12.9
Net Debt Servicing (\$m)	10.0	11.1	13.3	14.5	20.2	21.8
Percentage of Total Revenue	6.2	6.3	7.6	8.7	11.4	11.9
Percentage of Structural Revenue	6.3	6.8	7.9	9.3	12.2	12.7
Development Partner Support (\$m)						
Grants (\$m)	21.6	53.8	31.3	91.5	19.6	11.2
Percentage of GDP	5.0	11.0	6.5	16.1	3.1	1.7
Memo item: Nominal GDP (\$m)	431.8	487.2	484.0	567.0	629.7	651.9

8.4 Schedule 1 – Agency Budget Appropriations

Agency	Personnel	Operating	Administered Payments	Depreciation	Gross Current Appropriation	Trading Revenue	Net Current Appropriation
Agriculture	1,051,569	279,720	0	47,396	1,378,685	98,315	1,280,370
Audit (PERCA)	933,452	65,902	0	15,985	1,015,339	26,667	988,672
Business Trade and Investment Board	95,860	225,563	0	1,406	322,829	11,475	311,354
Cook Islands Investment Corporation	1,467,475	1,716,351	4,206,496	51,287	7,441,609	732,004	6,709,605
Corrective Services	1,375,960	288,324	0	37,773	1,702,057	105,805	1,596,252
Crown Law	813,031	125,134	137,241	232	1,075,638	0	1,075,638
Cultural Development	742,000	230,218	721,459	30,300	1,723,977	124,827	1,599,150
Education	11,766,275	2,128,524	4,857,876	612,814	19,365,489	0	19,365,489
Environment	980,305	132,623	288,697	30,000	1,431,625	14,214	1,417,411
Finance and Economic Management	5,351,612	742,397	45,920,278	328,591	52,342,878	351,067	51,991,811
Financial Services Development Authority	207,686	173,443	80,000	3,320	464,449	0	464,449
Foreign Affairs	1,882,707	691,138	18,333	26,572	2,618,750	14,583	2,604,167
Head Of State	175,264	20,194	31,695	12,218	239,371	0	239,371
Health	12,247,300	3,598,951	2,605,840	1,326,528	19,778,619	474,498	19,304,121
Infrastructure Cook Islands	1,712,280	388,230	1,455,345	391,560	3,947,415	186,146	3,761,269
Internal Affairs	1,296,801	212,810	3,163,462	12,001	4,685,074	14,693	4,670,381
<i>of which: Welfare Payments - Allowances</i>			<i>1,316,000</i>				
Justice	1,818,668	316,209	225,818	21,661	2,382,356	478,089	1,904,267
Marine Resources	1,150,585	437,376	200,000	196,730	1,984,691	12,591	1,972,100
Ombudsman	233,000	36,715	0	4,667	274,382	0	274,382
Parliamentary Services	519,785	149,757	6,924	27,063	703,529	0	703,529
Police	2,952,838	404,991	103,296	1,010,000	4,471,125	95,359	4,375,766
Prime Minister's Office	1,518,000	499,000	905,085	12,476	2,934,561	0	2,934,561
Public Service Commission	323,763	142,302	1,940,000	4,458	2,410,523	0	2,410,523
Cook Islands Seabed Minerals Authority	532,419	284,896	36,372	2,730	856,417	1,166,261	-309,844
Tourism Corporation	1,904,942	684,294	4,500,000	64,210	7,153,446	0	7,153,446
Transport	957,941	158,197	0	25,455	1,141,593	52,148	1,089,445
Total Ministries, Crown & Statutory Agencies	54,011,518	14,133,259	71,404,217	4,297,433	143,846,427	3,958,742	139,887,685
Ministerial Support							
Prime Minister	333,942	138,833	0	5,619	478,394	0	478,394
Deputy Prime Minister	229,153	63,543	0	9,589	302,285	0	302,285
Minister Vaine Mokoroa	210,122	69,377	0	11,709	291,208	0	291,208
Minister Vainetutai Toki-Brown	140,773	132,163	0	14,168	287,104	0	287,104

Agency	Personnel	Operating	Administered Payments	Depreciation	Gross Current Appropriation	Trading Revenue	Net Current Appropriation
Minister Robert Tapaitau	0	0	0	0	0	0	0
Minister George Angene	202,215	79,651	0	21,306	303,172	0	303,172
Minister Patrick Arioka	188,901	109,509	0	2,235	300,645	0	300,645
Leader Of Opposition	163,712	103,740	0	11,661	279,113	0	279,113
Total Ministerial Support Offices	1,468,818	696,816	0	76,287	2,241,921	0	2,241,921
Outer Islands							
Aitutaki	1,224,425	321,559	0	235,053	1,781,037	49,070	1,731,967
Atiu	840,168	235,717	0	171,186	1,247,071	275,990	971,081
Mangaia	962,738	630,387	0	156,192	1,749,317	364,892	1,384,425
Manihiki	686,259	211,112	0	450,913	1,348,284	194,569	1,153,715
Mauke	690,572	214,433	0	347,565	1,252,570	130,210	1,122,360
Mitiaro	733,967	62,233	0	90,938	887,138	110,100	777,038
Palmerston	218,263	60,846	0	36,041	315,150	22,806	292,344
Penrhyn	581,713	174,234	0	142,732	898,679	101,837	796,842
Pukapuka-Nassau	883,255	127,785	0	199,936	1,210,976	115,736	1,095,240
Rakahanga	412,181	67,761	0	73,223	553,165	80,012	473,153
Total Outer Islands	7,233,541	2,106,067	0	1,903,779	11,243,387	1,445,222	9,798,165
Gross Total	62,713,877	16,936,142	71,404,217	6,277,499	157,331,735	5,403,964	151,927,771

8.5 Schedule 2 – Payments on Behalf of the crown (POBOCs)

Administering Ministry	POBOC	2021/22	2021/22
		HYEFU Estimate	PEFU Estimate
Compensation of Employees			
Finance & Economic Management	Parliamentary Superannuation	180,000	180,000
Audit	PERC Salaries and Administration Costs	57,500	57,500
Parliamentary Services	Civil List - Personnel	2,901,961	2,901,961
Parliamentary Services	House of Ariki	377,597	377,597
Cultural Development	House of Ariki (CI)	0	0
Compensation of Employees POBOCs		3,517,058	3,517,058
Use of Goods and Services			
Audit	Audit Fees	95,600	10,667
Prime Minister's Office	Local Government Election	0	0
Parliamentary Services	Civil List - Constituency Visits	170,200	170,200
Parliamentary Services	Parliamentary Sitting Expenses	200,000	99,283
Parliamentary Services	QR Travel and Allowances (local and overseas)	109,000	159,790
Parliamentary Services	MP Travel and Allowances (local and overseas)	180,000	64,420
Foreign Affairs	International Maritime Organisation - Maritime Cook Islands	63,461	0
Transport	Maritime Radio Coverage	120,000	105,333
Use of Goods and Services POBOCs		938,261	609,693
Subsidies			
Cook Islands Investment Corporation	Airport Authority subsidy	2,047,997	128,000
Cook Islands Investment Corporation	Bank of the Cook Islands - social assistance subsidy	128,000	2,047,997
Cook Islands Investment Corporation	Ports Authority - subsidy	110,099	110,099
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	0	0
Cook Islands Investment Corporation	Te Mana Uira o Araura - subsidy	0	0
Cook Islands Investment Corporation	To Tatou Vai (CI)	0	0
Subsidies POBOCs		2,286,096	2,286,096
Social Assistance			
Internal Affairs	Welfare Payments	20,227,000	20,227,000
Social Assistance POBOCs		20,227,000	20,227,000
Other Expense			
Finance & Economic Management	Pacific Catastrophe Risk Insurance	160,000	160,000
Finance & Economic Management	CIG Insurance	40,000	551,621
Finance & Economic Management	BEPS Subscription	35,000	35,000
Finance & Economic Management	Competition and Regulatory Authority	620,574	890,000
Foreign Affairs	International Subscriptions	890,000	40,000
Other Expenses POBOCs		1,745,574	1,676,621
Grand Total		28,713,989	28,316,468

8.6 Schedule 3 – Cook Islands Capital Spending

	2021/22 HYEPU Estimate	2021/2 PEPU Estimate
Cook Islands Government Capital programs	37,830,490	27,769,789
Total Capital spending	37,830,490	27,769,789

8.7 Schedule 4 – Official Development Assistance

	2021/22 HYEPU Estimate	2021/2 PEPU Estimate
Operating or recurrent expenditure	25,340,981	18,574,877
Capital Project Expenditure	28,473,479	12,733,916
Total Official Development Assistance	53,814,460	31,308,793

8.8 Schedule 5a – Other Expenses & Financing Transactions

Category of Expense	2021/22 HYEPU Estimate	2021/2 PEPU Estimate
Contingency Funds - Operating	100,000	230,400
Crown Infrastructure Depreciation	4,603,000	4,603,000
Provisional for Doubtful Debts	0	0
Transfer to Emergency Response Trust Fund	50,000	50,000
Advanced Subsidiaries - Avaroa Cable Ltd	0	0
Transfer to Reserve Trust Fund	0	0
Depreciation Contingency Fund	2,174,000	2,174,000
Total Other Expenses	6,927,000	7,057,400

8.9 Schedule 5b – Loan Reserve Fund Appropriation

Category of Appropriation	2021/22 HYEPU Estimate	2021/2 PEPU Estimate
Contribution to LRF - Principal	8,860,401	7,335,616
Contribution to LRF - Interest	4,051,495	5,932,197
Total Contribution to LRF	12,911,896	13,267,813

8.10 Summary

Category of Payment	2021/22 HYEPU Estimate	2021/2 PEPU Estimate
Schedule 1 - Ministry Outputs (Gross Operating)	166,711,387	157,331,735
Schedule 2 - POBOCs	28,713,989	28,316,468
Schedule 3 - CIG Capital Expenditure	37,830,490	27,769,789
Schedule 4 - Official Development Assistance	53,814,460	31,308,793
Schedule 5a - Other Expenses and Financing Transactions	6,927,000	7,057,400
Schedule 5b - Loan Reserve Fund Appropriations	12,911,896	13,267,813
TOTAL APPROPRIATION	306,909,222	265,051,998

8.11 Schedule 6 – Capital Schedule

MINISTRY/ ISLAND	Project / Programme	Funding Source	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Agriculture			49,038	0	0	0	0	0
Rarotonga	Upgrade of Nursery Facilities	CIG	49,038	0	0	0	0	0
Audit (PERCA)			0	35,000	35,000	0	0	0
Rarotonga	TeamMate Software Upgrade	CIG	0	35,000	35,000	0	0	0
Cook Islands Investment Corporation			5,815,021	8,100,000	6,400,000	7,529,000	4,520,000	3,730,000
Aitutaki	Aitutaki Harbour Dredging	CIG	879,601	1,000,000	1,000,000	0	0	0
Aitutaki	Aitutaki Island Plan & Orongo Development Project	CIG	0	0	0	500,000	0	0
Rarotonga	Arorangi Prison Remedial works	CIG	129,913	150,000	150,000	0	0	0
Rarotonga	Government Building Projects - Rarotonga	CIG	2,323,509	2,200,000	2,200,000	1,079,000	1,070,000	1,230,000
Rarotonga	Land Acquisition	CIG	0	700,000	0	700,000	0	0
Pa Enua	Pa Enua Government Building Projects - Northern Group	CIG	427,146	550,000	550,000	500,000	250,000	500,000
Pa Enua	Pa Enua Government Building Projects - Southern Group	CIG	1,053,300	400,000	400,000	500,000	100,000	0
Rarotonga	Rarotonga Cyclone Shelters - Remediation	CIG	0	100,000	100,000	400,000	100,000	0
Rarotonga	To Tatou Vai	CIG	460,619	3,000,000	2,000,000	3,000,000	3,000,000	2,000,000
Rarotonga	Airport Authority - Rarotonga Airport Slab Replacement	CIG	0	0	0	850,000	0	0
Rarotonga	Rarotonga Airport Refurbishment	CIG	118,758	0	0	0	0	0
Rarotonga	Rarotonga Health Projects	CIG	215,000	0	0	0	0	0
Rarotonga	Relocation of Oral Health Services	CIG	68,504	0	0	0	0	0
Various	FM and TV Telecommunications for the Pa Enua	CIG	138,673	0	0	0	0	0
Corrective Services			0	50,000	0	0	0	0
Rarotonga	Prison Development Programme - Strategic Plan	CIG	0	50,000	0	0	0	0
Tourism Corporation			0	50,000	50,000	0	0	0
Rarotonga	Local Data Server	CIG	0	50,000	50,000	0	0	0
Cultural Development			0	0	0	100,000	0	160,000
Rarotonga	Auditorium Equipment Replacement Programme	CIG	0	0	0	100,000	0	160,000
Education			333,201	447,000	447,000	300,000	300,000	300,000
National	Fund to be Prioritised by Education	CIG	333,201	300,000	300,000	300,000	300,000	300,000
Rarotonga	Apii Nikao School Sound Proofing	CIG	0	147,000	147,000	0	0	0
Health			1,923,368	981,011	981,011	300,000	300,000	300,000
National	Fund to be Prioritised by Health	CIG	125,169	300,000	300,000	300,000	300,000	300,000
National	CT Scanner	CIG	891,383	518,617	518,617	0	0	0
National	Health ICT Upgrade	CIG	614,502	35,498	35,498	0	0	0
National	PCR Laboratory	CIG	292,314	126,896	126,896	0	0	0
Infrastructure Cook Islands			14,089,565	20,865,713	15,109,511	20,558,001	12,176,800	9,646,800
National	Bridges and Structures Asset Management Improvement Programme	CIG	1,133,799	4,926,201	4,961,628	6,050,000	3,000,000	1,600,000
National	Drainage Asset Management and Improvement Programme	CIG	979,832	1,950,000	2,684,650	500,000	500,000	1,000,000

MINISTRY/ ISLAND	Project / Programme	Funding Source	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Various	Emergency Management and Support Infrastructure	CIG	2,417,759	1,300,652	1,360,800	0	0	0
Penrhyn	Government Building Projects	CIG	89,220	1,760,781	600,000	1,360,781	0	0
Rarotonga	Inland and Coastal Waters Asset Management Improvement Programme	CIG	533,317	0	37,237	0	0	0
Various	Pa Enea Air Infrastructure Improvement Programme	CIG	539,237	1,263,691	128,262	891,998	0	0
National	Pa Enea Marine Infrastructure Improvement Programme	CIG	0	1,700,000	160,198	2,660,000	2,145,000	515,000
National	Roads Asset Management and Improvement Programme	CIG	7,969,226	7,000,000	4,576,735	8,730,834	6,531,800	6,531,800
National	Waste Management Infrastructure Improvement Programme	CIG	7,549	200,000	100,000	100,000	0	0
National	Water and Sanitation Infrastructure Improvement Programme	CIG	285,612	764,388	500,000	264,388	0	0
National	Atiu Road Improvement	CIG	134,013	0	0	0	0	0
Internal Affairs			50,000	50,000	50,000	50,000	50,000	50,000
Rarotonga	Vaka Maintenance Capital Projects	CIG	50,000	50,000	50,000	50,000	50,000	50,000
Finance and Economic Management			7,053,700	4,530,000	2,061,426	3,861,911	0	0
Rarotonga	FMIS purchase and implementation	CIG	75,771	300,000	289,402	10,598	0	0
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	CIG	6,822,369	1,000,000	983,337	0	0	0
Rarotonga	COVID-19 Response Fund - Capital Needs	CIG	98,950	1,400,000	400,000	1,000,000	0	0
Rarotonga	Revenue Management System upgrade (RMS10)	CIG	0	1,830,000	388,687	2,851,313	0	0
Rarotonga	Centre of Excellence in Information Technology (CEIT) - Capital Purchases	CIG	56,610	0	0	0	0	0
Prime Minister's Office			242,977	2,081,766	2,081,766	751,000	200,000	1,000,000
National	Government IT Network	CIG	116,103	1,760,766	1,760,766	551,000	0	800,000
National	Telecommunications Universal Access Programme	CIG	0	0	0	200,000	200,000	200,000
Atiu	Atiu Power Distribution	CIG	65,537	0	0	0	0	0
National	Renewable Energy Project Management and Support	CIG	61,337	321,000	321,000	0	0	0
MINISTRY TOTAL			29,556,870	37,190,490	27,215,714	33,449,912	17,546,800	15,186,800
Capital Funds Administered BY MFEM			479,554	640,000	554,075	710,000	710,000	710,000
National	Capital Distribution Fund	CIG	383,104	230,000	230,000	300,000	300,000	300,000
National	Pa Enea Capital Distribution Fund	CIG	0	300,000	300,000	300,000	300,000	300,000
Pa Enea	Outer Islands Small Capital Fund	CIG	96,450	110,000	24,075	110,000	110,000	110,000
	<i>Aitutaki</i>		23,404	16,000	0	16,000	16,000	16,000
	<i>Atiu</i>		0	12,000	0	12,000	12,000	12,000
	<i>Mangaia</i>		9,559	12,000	6,759	12,000	12,000	12,000
	<i>Manihiki</i>		6,887	10,000	0	10,000	10,000	10,000
	<i>Mauke</i>		0	10,000	0	10,000	10,000	10,000
	<i>Mitiaro</i>		7,005	8,000	8,000	8,000	8,000	8,000
	<i>Palmerston</i>		28,593	10,000	1,316	10,000	10,000	10,000
	<i>Penrhyn</i>		10,273	12,000	0	12,000	12,000	12,000
	<i>Pukapuka-Nassau</i>		3,900	12,000	0	12,000	12,000	12,000
	<i>Rakahanga</i>		6,830	8,000	8,000	8,000	8,000	8,000
GRAND TOTAL			30,036,424	37,830,490	27,769,789	34,159,912	18,256,800	15,896,800

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

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Taxation Revenue						
Value Added Tax (VAT)	36,573,991	51,626,685	52,226,685	63,534,338	80,161,072	83,353,067
Income tax	17,841,667	18,988,097	19,388,097	27,822,365	31,582,185	32,414,510
Company tax	16,712,040	16,471,057	17,071,057	17,120,893	17,433,429	17,972,820
Import levies	13,407,730	14,156,055	13,506,055	13,806,221	14,056,386	14,156,552
Withholding tax	1,553,631	1,550,313	1,539,533	1,729,693	1,887,399	1,887,399
Departure tax	430,612	3,198,731	3,825,949	15,296,594	12,584,301	12,918,320
Total	86,519,671	105,990,937	107,557,376	139,310,104	157,704,773	162,702,669
Other Crown Revenue						
FSC Vested Assets	8,263,815	4,978,080	4,978,325	0	0	0
FSC Return of Excess	400,000	159,000	150,000	125,000	125,000	125,000
Immigration Fees	856,142	480,000	456,671	1,000,000	500,000	500,000
IMO Subscription - Maritime Cook Islands	69,248	66,000	0	66,000	66,000	66,000
Border Management Fees	0	0	0	0	0	0
Drivers Licenses	119,342	100,000	141,592	100,000	260,000	260,000
Motor Vehicle Registration	923,604	675,000	195,935	875,000	875,000	875,000
Upper Air Management Agreement	185,669	87,196	57,124	510,257	653,490	563,490
Shipping Registration	74,180	92,000	46,812	92,000	95,000	95,000
International Shipping License	0	15,000	0	15,000	15,000	15,000
Liquor Licensing	62,882	40,000	34,453	30,000	50,000	50,000
Research Fee	560	1,500	480	1,500	1,500	1,500
Permits	4,846	10,409	17,108	10,409	10,409	10,409
Censorship Fees	978	1,000	413	1,000	1,000	1,000
Land Court Fees	0	125,000	76,856	147,000	147,000	147,000
Tattslotto Grants	213,922	120,000	158,647	120,000	120,000	120,000
Motor Vehicle Dealers	2,588	3,000	3,263	3,000	3,000	3,000
Court Services	30,541	30,000	24,252	27,000	27,000	27,000
Instant Fines	87,131	40,000	38,470	0	0	0
Fishing Revenues	10,739,793	9,077,810	4,466,068	9,318,370	9,326,020	9,333,900
Fishing Licenses	3,841,612	0	0	0	0	0
Fisheries - US Treaties (purse seing)	5,888,188	0	0	0	0	0
South Indian Ocean Fisheries Agreement (SIOFA)	173,528	0	0	0	0	0
South Pacific Fisheries Management Organisation (SPRFMO)	0	0	0	0	0	0

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
US Fisheries Treaty (upfront days)	0	3,311,166	1,763,013	3,243,370	3,243,370	3,243,370
EU Agreement	0	1,410,871	1,538,934	400,000	400,000	400,000
Purse seine fishery	0	2,000,000	0	2,260,000	2,260,000	2,260,000
Longline Licenses and QMS	0	2,000,000	885,000	3,000,000	3,000,000	3,000,000
Other fisheries and auxiliary vessel licensing	0	160,000	95,500	160,000	160,000	160,000
Regional Fisheries Management Organisations - SIOFA and SPRFMO	0	195,773	183,622	255,000	262,650	270,530
Fishing Fines and Settlements	836,465	0	0	0	0	0
Dividends	0	0	0	600,000	760,000	1,202,450
Banana Court - dividend	0	0	0	0	0	0
Bank of the Cook Islands - dividend	0	0	0	0	0	282,450
Ports Authority - dividend	0	0	0	0	0	0
Punganga Nui Market - dividend	0	0	0	0	0	0
Te Aponga Uira - dividend	0	0	0	0	0	0
Extraordinary SOE - dividend	0	0	0	0	0	0
Telecom Cook Islands (Bluesky) - dividend	0	0	0	600,000	760,000	920,000
Numismatics	661,531	450,000	423,197	450,000	600,000	600,000
Circulating Currency - Coins	13,464	5,000	516,492	200,000	200,000	200,000
Interest on Balances	926,259	391,000	276,000	395,000	200,000	200,000
Interest on balances - Loan Reserve Fund	409,160	233,074	116,537	125,437	126,692	127,959
Interest on Loans to Subsidiaries	0	0	0	1,317,179	1,279,903	1,215,897
Foreign Investment Fees	23,528	32,000	18,160	34,000	37,000	39,000
Employer Liabilities	0	0	0	0	0	0
Gains on FOREX	2,526,991	0	0	0	0	0
Core Sector Support	7,825,000	7,825,000	7,825,000	7,825,000	0	0
General Budget Support	35,082,658	40,000,000	40,090,302	0	0	0
Unanticipated Revenue received	1,803,614	0	662,192	0	0	0
Total Other	71,307,446	65,037,069	60,774,349	23,388,152	15,479,014	15,778,605
Total Crown Receipts	157,827,117	171,028,006	168,331,725	162,698,256	173,183,787	178,481,274

8.13 Schedule 8a – Administered Payments

Administering Ministry	Output	Administered Payment	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Compensation of Employees								
Cook Islands Investment Corporation	1	Infrastructure Committee	130,000	100,000	100,000	100,000	100,000	100,000
Cook Islands Investment Corporation	1	Special Projects Units	0	420,000	420,000	420,000	420,000	420,000
Cook Islands Investment Corporation	1	School Security	230,000	180,000	180,000	230,000	230,000	230,000
Cook Islands Investment Corporation	2	Joint Venture with Seabed Minerals Authority	83,817	50,000	6,496	50,000	50,000	50,000
Environment	1	National Heritage Trust	156,427	122,241	122,241	122,241	122,241	122,241
Finance and Economic Management	1	Price Tribunal Committee	23,914	60,000	10,585	60,000	45,000	45,000
Finance and Economic Management	2	The Centre of Research and Policy Studies	14,553	80,000	0	80,000	80,000	80,000
Justice	1	Judges Allowances	200,870	400,000	157,803	300,000	465,000	465,000
Justice	2	Project to bring land records up to date	110,080	120,000	62,782	120,000	120,000	120,000
Prime Minister's Office	4	ICT Support Team	229,798	183,077	183,077	0	0	0
Prime Minister's Office	8	Marae Moana Ambassador	60,000	60,000	60,000	60,000	0	0
Public Service Commission	3	HOM's Salaries	1,976,681	1,940,000	1,940,000	1,903,170	1,903,170	1,903,170
Compensation of Employees Administered Payments			3,216,140	3,715,318	3,242,984	3,445,411	3,535,411	3,535,411
Use of Goods and Services								
CI Seabed Minerals	1	Seabed Minerals Sector Development	116,543	170,000	36,372	100,000	0	0
CI Seabed Minerals	1	Seabed Minerals Compliance Development	0	45,000	0	0	0	0
Cook Islands Investment Corporation	1	Provision for Land Rentals	370,962	500,000	500,000	400,000	400,000	400,000
Cook Islands Investment Corporation	1	Land Rent Reviews	0	0	0	0	0	0
Cook Islands Investment Corporation	2	Avaroa Cable	150,000	0	0	0	0	0
Cook Islands Investment Corporation	2	Renewable Energy Maintenance	100,000	0	0	0	0	0
Cook Islands Investment Corporation	2	CIG Buildings Repairs & Maintenance	0	0	0	0	1,000,000	1,000,000
Crown Law	2	Legal Provisions	5,143	251,029	137,241	50,000	50,000	50,000
Crown Law	2	Arbitration Case	0	0	0	0	0	0
Crown Law	1	Pacific Islands Law Officers Network (PILON)	0	0	0	0	0	0
Crown Law	1	Lexis Nexis - Portal Maintenance	0	0	0	0	80,000	80,000
Cultural Development	1	National Events Fund	412,743	660,000	660,000	500,000	500,000	500,000
Cultural Development	1	Te Kopapa Reo Maori Board	14,337	15,000	15,000	15,000	15,000	15,000
Cultural Development	1	Cook Islands Cultural Fund	198,076	90,000	46,459	100,000	100,000	100,000
Cultural Development	2	Audio and Visual Digitization	0	0	0	0	0	0
Education	3	Tertiary Training Institutions	1,158,846	1,160,000	1,160,000	1,160,000	1,160,000	1,160,000
Education	4	Bus Service	26,325	26,325	26,325	26,325	26,325	26,325
Environment	3	E - Waste & Whiteware Collection	0	0	0	0	0	0

Administering Ministry	Output	Administered Payment	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Environment	2	EIA Process	140,257	150,000	66,456	150,000	150,000	150,000
Environment	3	Management of Suwarrow Park	140,873	100,000	100,000	100,000	100,000	100,000
Environment	1	Compliance Development	0	0	0	40,000	0	0
Finance and Economic Management	1	Public Sector Strengthening-processes and systems	38,442	150,000	14,949	125,000	150,000	150,000
Finance and Economic Management	6	COVID-19 Medical Response Fund	2,510,221	3,000,000	3,000,000	5,000,000	0	0
Finance and Economic Management	1	COVID-19 Economic Response Plan	78,387,974	369,053	352,364	0	0	0
Finance and Economic Management	1	Economic Recovery Roadmap	0	33,500,000	39,528,330	5,200,000	1,400,000	1,200,000
Finance and Economic Management	2	The Centre of Excellence in Information Technology (CEIT)	49,882	100,000	70,415	80,000	60,000	0
Finance and Economic Management	2	Audit of Crown Accounts	0	30,000	30,000	30,000	30,000	30,000
Finance and Economic Management	1	Standard and Poor's Subscription	64,185	70,000	70,000	70,000	70,000	70,000
Finance and Economic Management	2	Special Investigative and Prosecution Services	42,912	30,000	30,000	50,000	50,000	50,000
Finance and Economic Management	2	Debt Advisory Services	31,233	60,000	0	60,000	60,000	60,000
Finance and Economic Management	2	FMIS Maintenance	79,279	80,000	80,000	80,000	80,000	80,000
Finance and Economic Management	2	Government Broadband Utilities	27,416	30,000	22,494	30,000	30,000	30,000
Finance and Economic Management	3	Border Management System Maintenance	0	310,500	310,500	155,250	155,250	155,250
Finance and Economic Management	3	Post Tax Amnesty Work	17,745	166,769	166,769	0	0	0
Finance and Economic Management	2	Cook Islands Red Cross	0	0	0	50,000	50,000	50,000
Finance and Economic Management	3	IGOR - International Exchange of Information system upgrade	0	0	0	88,900	7,800	7,800
Foreign Affairs	5	Cook Islands Student Association Support	0	20,000	13,333	10,000	10,000	10,000
Foreign Affairs	5	Returned Services Association	4,634	5,000	5,000	5,000	5,000	5,000
Head Of State	1	Domestic Hosting Entertainment	14,640	15,000	15,000	15,000	15,000	15,000
Head Of State	1	QR Social Responsibility Fund	8,000	8,000	8,000	8,000	8,000	8,000
Head Of State	1	Head of State Rent	13,042	13,000	8,695	13,000	13,000	13,000
Health	4	Pharmaceuticals	867,760	1,167,800	1,167,800	1,167,800	1,167,800	1,167,800
Health	1	Operation Namu	0	0	0	0	0	0
Health	1	Law and Order Clinical Psychologist	0	0	0	90,000	90,000	90,000
Infrastructure Cook Islands	3	Bridges and Stream Structure Maintenance	827,302	740,000	148,152	700,000	700,000	700,000
Infrastructure Cook Islands	5	Waste Management	671,365	730,000	730,000	730,000	730,000	730,000
Infrastructure Cook Islands	4	Road and Drainage Asset Management	1,096,228	850,000	517,554	850,000	800,000	800,000
Infrastructure Cook Islands	1	Emergency Response Work	198,466	200,000	59,639	200,000	200,000	200,000
Infrastructure Cook Islands	1	Pa Enea Machinery Maintenance Funds	187,590	0	0	0	0	0
Internal Affairs	2	Internal Affairs Youth Program	41,319	45,000	35,061	45,000	45,000	45,000
Internal Affairs	4	Vaka Maintenance	399,603	400,000	400,000	400,000	450,000	450,000
Internal Affairs	5	Lease extension	36,000	72,000	36,000	72,000	72,000	72,000

Administering Ministry	Output	Administered Payment	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Parliamentary Services	1	Special Select Committee	227,467	150,000	6,924	120,000	120,000	120,000
Parliamentary Services	2	Pacific Legislatures for Population and Governance (PLPG)	0	0	0	0	0	0
Parliamentary Services	2	Remuneration Tribunal Committee	0	20,000	0	0	0	0
Police	1	Search and Rescue	0	20,000	598	20,000	20,000	20,000
Police	1	Serious Crime Investigations	74,655	100,000	62,482	100,000	100,000	100,000
Police	1	Te Kukupa - Biannual Slipping	0	0	0	0	0	0
Police	1	Te Kukupa - Fuel Contribution	121,252	250,000	39,631	50,000	50,000	50,000
Police	2	Police Youth Program	39,362	45,000	584	45,000	45,000	45,000
Prime Minister's Office	1	Social Responsibility Fund	363,000	363,000	363,000	363,000	363,000	363,000
Prime Minister's Office	1	Community Support Fund	101,793	100,000	100,000	100,000	100,000	100,000
Prime Minister's Office	3	Pa Enea Mechanical Overseer	86,669	100,000	100,000	100,000	120,000	120,000
Prime Minister's Office	6	Red Cross	50,000	50,000	9,029	0	0	0
Prime Minister's Office	3	Pa Enea Machinery Maintenance Fund	0	100,000	74,807	100,000	100,000	100,000
Prime Minister's Office	4	OPM ICT Activities	0	0	0	250,000	290,000	278,000
Prime Minister's Office	4	Pa Enea Connectivity	0	0	0	200,000	250,000	250,000
Tourism Corporation	1	Marketing Resources - Tourism Growth Strategy	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Finance and Economic Management	6	Tarai Vaka Fund	0	20,000	400	20,000	20,000	20,000
Financial Services Development Authority	1	Tax Law Review	0	80,000	80,000	30,000	0	0
		Use of Goods and Services Administered Payments	94,013,541	51,227,476	54,905,363	23,964,275	16,108,175	15,836,175
Subsidies								
Education	3	University of the South Pacific Contribution	108,282	205,000	155,217	205,000	205,000	205,000
Finance and Economic Management	1	Airline Underwrite	0	6,500,000	1,000,000	10,000,000	10,000,000	10,000,000
Finance and Economic Management	2	Subsidy of audio/visual broadcasting in Pa Enea	38,109	45,000	0	45,000	45,000	45,000
Finance and Economic Management	2	Asian Infrastructure Investment Bank (AIIB) Membership	0	30,500	30,500	30,500	30,500	30,500
Finance and Economic Management	1	Pacific Financial Regional Technical Assistance (PFTAC) Contribution	13,448	0	0	0	0	0
Finance and Economic Management	1	Universal Access Fund	220,000	400,000	400,000	400,000	400,000	400,000
Finance and Economic Management	6	Provision for Inter Island Shipping	607,094	500,000	500,000	500,000	500,000	500,000
		Subsidies Administered Payments	986,933	7,680,500	2,085,717	11,180,500	11,180,500	11,180,500
Social Assistance								
Education	2	Government Funded Scholarships	877,524	780,000	780,000	780,000	780,000	780,000
Health	1	NCD Fund	195,000	195,000	53,970	195,000	195,000	195,000
Health	4	Patient Referrals	850,000	850,000	1,150,000	850,000	850,000	850,000
Health	5	Workforce Development	107,163	234,070	234,070	234,070	234,070	234,070

Administering Ministry	Output	Administered Payment	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Internal Affairs	1	Welfare Payments - Allowances	1,291,374	1,316,000	1,316,000	1,307,217	1,310,199	1,313,557
Justice	1	Legal Aid	1,500	40,000	5,233	40,000	40,000	40,000
		Social Assistance Administered Payments	3,322,561	3,415,070	3,539,273	3,406,287	3,409,269	3,412,627
Other Expense								
Cook Islands Investment Corporation	2	To Tatou Vai	2,708,297	3,000,000	3,000,000	0	0	0
Education	2	Private School Funding	2,510,708	2,663,277	2,736,334	2,663,277	2,663,277	2,663,277
Finance and Economic Management	1	Competition and Regulatory Authority	479,929	0	0	0	0	0
Finance and Economic Management	2	Production of new currency, transportation and sale of old coins	334,615	15,000	2,972	350,000	350,000	350,000
Finance and Economic Management	4	National Census	0	300,000	300,000	0	0	0
Finance and Economic Management	4	Conduct of a Labour Force Survey	0	0	0	0	0	0
Internal Affairs	2	SIF - Cook Islands Government Contribution	992,556	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Internal Affairs	5	CISNOC Grant	370,000	370,000	370,000	370,000	370,000	370,000
Marine Resources	3	Fisheries Development Facility	245,863	200,000	200,000	150,000	150,000	150,000
Internal Affairs	5	Religious Advisory Council	0	10,000	6,402	10,000	10,000	10,000
Prime Minister's Office	9	State Events	0	20,000	15,172	20,000	20,000	20,000
		Other Expenses Administered Payments	7,641,968	7,578,277	7,630,880	4,563,277	4,563,277	4,563,277
Grand Total			109,181,143	73,616,641	71,404,217	46,559,750	38,796,632	38,527,990

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

Administering Ministry	Output	POBOC	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Compensation of Employees								
Finance and Economic Management	2	Parliamentary Superannuation	100,604	180,000	180,000	180,000	180,000	180,000
Audit (PERCA)	3	PERC Salaries and Administration Costs	52,579	57,500	57,500	57,500	57,500	57,500
Parliamentary Services	1	Civil List - Personnel	3,129,690	2,901,961	2,901,961	2,901,961	2,901,961	2,901,961
Parliamentary Services	1	House of Ariki	331,674	377,597	377,597	0	0	0
Cultural Development	1	House of Ariki (CI)	0	0	0	326,690	336,690	336,690
Compensation of Employees POBOCs			3,614,547	3,517,058	3,517,058	3,466,151	3,476,151	3,476,151
Use of Goods and Services								
Audit (PERCA)	2	Audit Fees	84,600	95,600	10,667	103,000	103,000	103,000
Justice		General Elections, Petitions and By-Elections	0	0	0	0	0	0
Parliamentary Services	1	Civil List - Constituency Visits	154,505	170,200	170,200	170,200	170,200	170,200
Parliamentary Services	1	Parliamentary Sitting Expenses	246,452	200,000	99,283	200,000	200,000	200,000
Parliamentary Services	1	MP Travel and Allowances (local and overseas)	153,906	180,000	159,790	230,000	250,000	250,000
Parliamentary Services	1	QR Travel and Allowances (local and overseas)	19,337	109,000	64,420	109,000	109,000	109,000
Transport	2	Maritime Radio Coverage	0	120,000	105,333	120,000	120,000	120,000
Prime Minister's Office	3	Local Government Election	13,655	0	0	0	0	50,000
Foreign Affairs	5	International Maritime Organisation - Maritime Cook Islands	67,748	63,461	0	63,461	63,461	63,461
Use of Goods and Services POBOCs			740,203	938,261	609,693	995,661	1,015,661	1,065,661
Subsidies								
Cook Islands Investment Corporation	2	Bank of the Cook Islands - social assistance subsidy	29,941	0	128,000	128,000	128,000	128,000
Cook Islands Investment Corporation	2	Airport Authority subsidy	3,047,997	128,000	2,047,997	2,047,997	1,500,000	1,000,000
Cook Islands Investment Corporation	2	Ports Authority - subsidy	110,100	2,047,997	110,099	110,099	110,099	110,099
Cook Islands Investment Corporation	2	Te Aponga Uira - social assistance subsidy	0	110,099	0	0	0	0
Cook Islands Investment Corporation	2	Te Mana Uira o Araura - subsidy	500,000	0	0	0	0	0
Cook Islands Investment Corporation	2	To Tatou Vai (CI)	0	0	0	3,000,000	2,000,000	2,000,000
Subsidies POBOCs			3,688,038	2,286,096	2,286,096	5,286,096	3,738,099	3,238,099
Social Assistance								
Internal Affairs	1	Welfare Payments	19,628,578	20,227,000	20,227,000	21,067,190	21,286,718	21,495,003
Social Assistance POBOCs			19,628,578	20,227,000	20,227,000	21,067,190	21,286,718	21,495,003
Other Expense								
Finance and Economic Management	2	Pacific Catastrophe Risk Insurance	143,947	160,000	160,000	160,000	160,000	160,000

Administering Ministry	Output	POBOC	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Finance and Economic Management	1	Competition and Regulatory Authority	0	620,574	551,621	400,000	400,000	400,000
Finance and Economic Management	2	BEPS Subscription	35,000	35,000	35,000	45,000	45,000	45,000
Foreign Affairs	5	International Subscriptions	566,217	890,000	890,000	890,000	890,000	890,000
Finance and Economic Management	2	CIG Insurance	180,000	40,000	40,000	40,000	40,000	40,000
		Other Expenses POBOCs	925,164	1,745,574	1,676,621	1,535,000	1,535,000	1,535,000
Grand Total			28,596,530	28,713,989	28,316,468	32,350,098	31,051,629	30,809,914

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

Creditor	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Asian Development Bank (ADB)						
Principal	4,567	4,560	4,572	5,052	8,681	10,069
Interest	2,267	2,816	4,481	5,419	5,875	5,593
Total Debt Servicing to ADB	6,834	7,376	9,053	10,471	14,556	15,662
People's Republic of China (EXIM)						
Principal	2,615	2,650	2,764	2,685	2,798	2,838
Interest	591	546	570	500	465	415
Total Debt Servicing to China	3,206	3,196	3,334	3,185	3,262	3,252
Asian Infrastructure Investment Board (AIIB)						
Principal	0	0	0	0	1,549	2,068
Interest	0	563	881	861	876	832
Total Debt Servicing to AIIB	0	563	881	861	2,425	2,901
Total Servicing of Other Debt	10,040	11,134	13,268	14,517	20,243	21,815

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

Transaction	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Opening Balance in LRF	20,426	11,654	10,795	11,011	11,231	11,456
Contribution to LRF - Principal	0	8,860	7,336	7,737	13,028	14,975
Contribution to LRF - Interest	0	4,051	5,932	6,780	7,216	6,840
Total Transfer into LRF by Government	0	12,912	13,268	14,517	20,243	21,815
Interest earned by LRF (avg 2%)	409		216	220	225	229
Total inflows	409	12,912	13,484	14,737	20,468	22,044
Repayment of prepaid SOE Debt						
Contribution from LRF - Principal	0	0	758	670	705	725
Contribution from LRF - Interest	0	0	66	57	53	48
Total Repayment of SOE Debt	0	0	823	728	759	772
Repayment of Other Debt						
Contribution from LRF - Principal	7,182	7,210	6,578	7,067	12,322	14,250
Contribution from LRF - Interest	2,858	3,924	5,867	6,723	7,162	6,792
Total Repayment of Other Debt	10,040	11,134	12,445	13,789	19,485	21,043
Total Principal paid out of the LRF	7,182	7,210	7,336	7,737	13,028	14,975
Total Interest paid out of the LRF	2,858	3,924	5,932	6,780	7,216	6,840
Total outflows	10,040	11,134	13,268	14,517	20,243	21,815
Other Movements - revaluation	0	0	0	0	0	0
Closing balance of LRF	10,795	13,432	11,011	11,231	11,456	11,685

8.17 Schedule 10 – Official Development Assistance Schedule

Agency	Development Partner	Programs/Projects by Agency	Funding Type	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Cook Islands General Budget Support									
MFEM	New Zealand	Cook Islands Core Sector Support - Budget Support	Budget Support	7,825,000	7,825,000	7,825,000	7,825,000	0	0
MFEM	New Zealand	General Budget Support for work programs	Budget Support	0	0	0	0	0	0
MFEM	New Zealand	COVID-19: Pacific Financial Support Package	Budget Support	0	0	0	0	0	0
MFEM	New Zealand	COVID-19 Response - 2nd Phase Budget Support	Budget Support	15,000,000	0	0	0	0	0
MFEM	Australia	Cook Islands Budget Support	Budget Support	0	0	0	0	0	0
MFEM	China	COVID-19 Co-operation	Budget Support	82,658	91,584	90,302	0	0	0
MFEM	New Zealand	COVID-19 Response - 3rd Phase Support	Budget Support	20,000,000	30,000,000	30,000,000	0	0	0
MFEM	New Zealand	COVID-19 Economic Recovery Support - November 2021	Budget Support	0	10,000,000	10,000,000	0	0	0
Total General Budget Support				42,907,658	47,916,584	47,915,302	7,825,000	0	0
Recurrent ODA Expenditure									
MFEM	New Zealand	Cook Islands Core Sector Support - TA Component	Grant	1,859,746	1,275,000	1,275,000	1,275,000	0	0
MFEM	New Zealand	COVID-19 Economic Recovery Support - November 2021	Grant	0	10,000,000	10,000,000	0	0	0
MOH	New Zealand	COVID-19 Vaccination Programme	3rd Party Spend	500,000	150,000	200,000	100,000	0	0
Police	Australia	Upgrade to Police National Command, Control and Coordinating Centre	Grant	0	0	0	0	0	0
MFEM	China	COVID-19: Cooperation Cash Grant to support recovery	Grant	0	0	0	75,758	0	0
MFEM	China	COVID-19 Co-operation Cash Grant for Administration	Grant	0	0	0	50,000	0	0
MFEM	ADB	APDRF COVID-19 Emergency Response Project	2nd Party Spend	1,500,000	0	0	0	0	0
MFEM	Japan	Grant Assistance for Grassroots Projects	3rd Party Spend	260,648	250,000	250,000	600,000	0	0
MFEM	India	India Grant Fund	Grant	0	580,000	27,882	680,000	200,000	200,000
MFEM	UNAF	Pa Enea Action for Resilient Livelihoods (PEARL)	Grant	1,300,000	1,105,864	1,308,879	100,000	0	0
MFEM	GCF	UNOPs COK-RS-003: Green Climate Fund Readiness 4	Grant	624,289	909,087	471,683	450,000	0	0
MFEM	GCF	GCF COK-PPF-039: Building Resilient and Healthy Cook Islands Communities	Grant	0	885,486	80,000	775,544	86,171	0
MFEM	GCF	UNEP FP147: Enhancing Climate Information and Knowledge Services	Grant	0	838,330	200,000	1,647,335	3,974,861	966,486
MFEM	GCF	UNEP FP147: Enhancing Climate Information and Knowledge Services	3rd Party Spend	0	731,141	40,000	2,431,758	3,225,689	1,454,424
MFEM	GCF	UNOPs COK-RS-005: Enhancing a National Adaptation Programmes	Grant	0	515,152	100,000	1,899,061	1,634,758	375,530
MFEM	GCF	UNOPs COK-RS-004: Green Resilient Recovery Rapid Readiness Support	Grant	0	254,545	50,000	453,235	0	0
MFEM	GCF	Enhanced Direct Access - Project Preparation Facility	Grant	0	363,636	0	136,364	318,182	0
MFEM	GCF	DAE Direct Support Readiness	Grant	0	0	0	100,000	100,000	0
MFEM	EU	Budget Support to the Sanitation Sector	Grant	0	154,524	0	154,524	0	0
OPSC	New Zealand	NZ Volunteer Services Aboard	3rd Party Spend	0	200,000	200,000	500,000	500,000	500,000
MFEM	Japan	JICA Training and Development	3rd Party Spend	0	125,000	0	125,000	125,000	125,000
MFEM	UNDP	Pacific Parliamentary Development Project	3rd Party Spend	0	150,000	173,300	0	0	0
MFEM	ADB	Cook Islands Emergency Response to Covid-19	3rd Party Spend	150,000	0	0	0	0	0
MFEM	ADB	Technical Assistance Support	3rd Party Spend	357,006	250,000	250,000	500,000	500,000	250,000

Agency	Development Partner	Programs/Projects by Agency	Funding Type	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
MFEM	UNDP	UNDP SDG Financing Joint Programme - DFA	2nd Party Spend	0	72,570	21,435	51,135	0	0
MFEM	New Zealand	COVID-19 Rapid Impact Assessment Survey CI NSO	Grant	0	120,000	100,000	35,000	0	0
MFEM	Other	Aid Effectiveness	Budget Support	55,000	100,000	100,000	100,000	100,000	100,000
OPM	GEF	National Adaptation to CC	Grant	0	0	0	0	0	0
OPM	GEF	Fourth National Communications - UNFCCC	Grant	207,187	172,727	0	495,454	322,727	322,727
OPM	ADB	E-Government TA Support	3rd Party Spend	0	0	0	0	0	0
OPM	SPC	GCCA + SUPA - Enhancing a Climate Resilient Marine Sector	Grant	88,133	559,325	133,000	146,469	33,898	0
MMR	SPC	GCCA + SUPA - Enhancing a Climate Resilient Marine Sector	Grant		0	0	375,348	118,644	0
MOH	UNDP	Western Pacific Multi-country Integrated HIV/TB programme - UNDP	Grant	79,517	90,000	74,897	90,000	90,000	90,000
MOH	WHO	WHO Biennium Budget Support	3rd Party Spend	0	95,220	0	152,000	152,000	152,000
MOH	UNICEF	UNICEF Health and Nutrition Programme	3rd Party Spend	0	135,350	130,000	335,350	17,650	0
MOT	UNDP	Disaster Resilience for Small Pacific Islands (RESPAC Cook Islands)	Grant	33,930	0	0	0	0	0
MMR	EU	Sustainable Fisheries Partnership Agreement - Sector Support 2016-2021	Grant	444,915	150,000	150,000	612,594	0	0
MMR	EU	Sustainable Fisheries Partnership Agreement - Sector Support 2022-2024	Grant		0	0	581,395	581,395	581,395
MMR	Japan	Japan Trust Fund	Grant	0	0	0	0	0	0
MMR	FFA	Project Development Fund - US Fisheries Treaty	3rd Party Spend	0	0	0	206,439	206,439	206,439
MFAI	FFA	Project Development Fund - US Fisheries Treaty	3rd Party Spend	0	0	0	30,303	30,303	30,303
MFAI	New Zealand	PACER Plus Outreach and Consultation	Grant	40,377	0	0	0	0	0
MFAI	Korea	Korea Grant Aid	2nd Party Spend	0	218,560	0	303,030	303,030	303,030
NES	UNDP	6th National Report to the Convention Biological Diversity	Grant	25,000	0	0	0	0	0
NES	GEF	Ridge to Reef (National)	Grant	1,400,000	0	0	0	0	0
NES	GEF	Nagoya Protocol on Access to Genetic Resources and Benefit Sharing	Grant	0	0	0	100,000	0	0
ICI	SPC	Managing Water Scarcity through Strengthened Water Resources	Grant	125,000	127,500	127,500	0	0	0
INTAFF	ILO	OSH Awareness Campaign Program	Grant	20,218	47,176	0	35,143	0	0
INTAFF	ILO	Labour Force Survey	Grant	14,975	0	0	0	0	0
INTAFF	UNESCO	UNESCO Social Protection for persons with disability (Pilot Project)	Grant	0	300,000	0	300,000	200,000	0
MOCD	Other	National Archive Digitization Programme MOCD	Grant	0	140,000	140,301	80,000	0	0
MOCD	UNESCO	Intangible Cultural Heritage Funds Programme	Grant	0	96,000	96,000	48,600	0	0
MOT	New Zealand	CI Pacific Maritime Safety Programme	Grant	0	0	0	285,000	0	0
NES	UNEP	HCFC Phase-Out Management Plan for PIC Stage 1 & 2	Grant	0	0	0	90,145	29,651	0
NES	UNEP	Institutional Strengthening Project (ISP)	Grant	0	0	0	30,000	14,900	14,900
NES	GEF	Minimata Convention on Mercury	Grant	0	0	0	53,814	0	0
INTAFF	UNDP	UNPRPD Cook Islands Joint Programme	Grant	0	0	0	23,789	0	0
OPSC	ADB	Strengthening of the Cook Islands Public Sector TA	3rd Party Spend	0	0	0	300,000	0	0
MOH	SPC	Technical/In Kind Support	3rd Party Spend	0	0	0	163,934	0	0
ICI	SPREP	Pac Waste Plus	Grant	0	0	0	380,000	100,000	100,000
MMR	Australia - SPC	Cook Islands Coastal Fisheries and Aquaculture TA	Grant	0	0	0	371,032	371,032	0
MMR	Australia - SPC	Otolith Laboratory	Grant	0	0	0	96,469	0	0

Agency	Development Partner	Programs/Projects by Agency	Funding Type	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
MFEM	New Zealand	Cook Islands Domestic ICT Connectivity Improvements	Grant	0	0	0	3,000,000	0	0
REDCROSS	GEF	GEF Small Grants Programme	3rd Party Spend	187,429	378,788	375,000	378,788	378,788	378,788
MFEM	Other	Small Projects Grant funding	Grant	1,596,009	3,800,000	2,500,000	5,000,000	5,000,000	5,000,000
Total Recurrent ODA Expenditure				10,869,379	25,340,981	18,574,877	26,304,809	18,715,118	11,151,024
Capital ODA Expenditure									
MFEM	Japan	Non Project Grant Aid - Palmerston Cyclone Centre	Grant	0	0	0	0	0	0
MFEM	New Zealand	Manatua Polynesian Cable Project	Grant	865,129	1,300,000	944,231	727,262	0	0
MFEM	New Zealand	Assets Management	Grant	1,292,772	3,207,228	2,950,000	100,000	0	0
MFEM	New Zealand	Mei Te Vai Ki Te Vai (MTVKTV)	Grant	800,000	900,000	750,000	585,990	0	0
MFEM	New Zealand	Cook Islands Infrastructure Trust Fund	Grant	0	5,500,000	1,080,016	44,419,984	0	0
MFEM	New Zealand	Cook Islands Infrastructure Trust Fund - Rarotonga Airport Refurbishment	Grant	4,500,000	2,000,000	2,000,000	0	0	0
MFEM	EU	Budget Support to the Sanitation Sector	Grant	384,861	1,615,139	97,579	1,474,066	0	0
MFEM	Japan	Economic Social Development Programme 2018	3rd Party Spend	739,349	874,609	870,558	4,051	0	0
MFEM	Japan	Economic Social Development Programme 2020-1 COVID-19 Response Assistance	3rd Party Spend	0	1,546,100	844,626	701,474	0	0
MFEM	Japan	Economic Social Development Programme 2020-2	3rd Party Spend	0	1,056,495	62,000	994,495	864,405	0
MFEM	Japan	Inter-Island freight & passenger ship	3rd Party Spend	0	150,000	0	3,000,000	0	0
ICI	Japan	Japan Grassroots Human Security - Resource Recovery Centre Upgrades	2nd Party Spend	0	0	0	0	0	0
OPM	GEF	Renewable Energy Grant (Southern Group)	3rd Party Spend	0	500,000	167,161	681,818	0	0
OPM	GCF	Renewable Energy Grant (Southern Group)	3rd Party Spend	1,922,480	4,634,358	2,196,283	5,000,000	0	0
OPM	EU-GDC	Northern Water Project Phase 2	Grant	0	0	0	0	0	0
AACI	New Zealand	Rarotonga Airport Upgrade Designs	Grant	204,450	789,550	271,462	1,264,638	0	0
MFEM	ADB	JFPR - Supporting Safe Recovery of Travel and Tourism in Cook Islands	3rd Party Spend	0	2,900,000	0	2,900,000	0	0
ICI	New Zealand	Improving Geospatial Data - LiDAR	Grant	0	1,500,000	500,000	1,500,000	0	0
ICI	SPC	Strengthening Water Security of Vulnerable Island States	Grant	0	0	0	73,816	0	0
ICI	SPC	Managing Water Scarcity through Strengthened Water Resources Project Fund 2	Grant	0	0	0	1,720,000	0	0
Total Capital ODA Expenditure				10,709,041	28,473,479	12,733,916	65,147,594	864,405	0
Total NZD Equivalent ODA Funding				64,486,078	101,731,044	79,224,095	99,277,403	19,579,523	11,151,024
Total NZD Equivalent ODA Funding - (excluding GBS)				21,578,420	53,814,460	31,308,793	91,452,403	19,579,523	11,151,024

9 Financial Statements

9.1 Statement of Financial Performance

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Revenue						
Taxation Revenues	86,520	105,991	107,557	139,310	157,705	162,703
Trading Revenue	4,041	4,444	5,404	4,954	4,974	4,974
Interest Revenue	1,335	624	393	520	327	328
Dividends	0	0	0	600	760	1,202
Core Sector Support	7,825	7,825	7,825	7,825	0	0
Other Revenue	62,147	56,588	52,557	13,126	13,112	13,032
Total Revenue	161,868	175,472	173,736	166,335	176,877	182,239
Expenditure						
Crown Appropriation	193,404	159,558	151,054	133,996	126,641	126,386
Depreciation	12,676	13,931	13,054	13,767	13,783	13,783
Payments on Behalf of Crown	28,597	28,714	28,316	32,350	31,052	30,810
Debt-servicing interest	2,858	3,924	3,980	5,463	5,936	5,624
Other expenditure	150	150	280	150	150	150
Total Expenditure	237,685	206,277	196,685	185,725	177,561	176,753
NET OPERATING SURPLUS / (SHORTFALL)	-75,817	-30,804	-22,949	-19,391	-684	5,486
Grants						
Foreign Aid Revenue	10,869	25,341	18,575	26,305	18,715	11,151
Foreign Aid Expenses	10,869	25,341	18,575	26,305	18,715	11,151
Grant Balance	0	0	0	0	0	0
Net Operating Balance after Grants	-75,817	-30,804	-22,949	-19,391	-684	5,486

9.2 Statement of Financial Position

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Assets						
Working Capital Fund	53,571	42,754	62,377	16,873	1,373	-7,447
Stabilisation Fund	3,544	3,544	3,544	3,544	3,544	3,544
General Cash Reserve	57,115	46,298	65,921	20,417	4,917	-3,903
Loan Reserves Fund (LRF)	11,654	13,665	12,544	12,669	12,796	12,924
Disaster Response Trust Fund	1,978	2,028	2,028	2,078	2,128	2,178
Other Trust Funds	46,314	46,314	46,314	46,314	46,314	46,314
Other Assets	155,730	155,700	155,700	155,700	155,700	155,700
Advances to SOEs	41,954	41,954	41,954	44,280	42,343	39,610
Plant, Property, and Equipment	232,951	285,324	260,400	345,941	351,279	353,393
Total Assets	547,695	591,283	584,861	627,398	615,477	606,215
Liabilities						
Creditors and Other Payables	132,507	132,507	132,507	132,507	132,507	132,507
Trust Liabilities	52,261	52,261	52,261	52,261	52,261	52,261
Borrowings	176,615	225,731	228,459	218,492	208,899	195,146
Total Liabilities	361,383	410,499	413,227	403,260	393,667	379,914
NET CROWN BALANCE	186,312	180,784	171,633	224,138	221,810	226,301

9.3 Statement of Borrowings

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Total Gross Borrowing	176,615	225,731	228,459	218,492	208,899	195,146
Assets held against Borrowings						
Advances to Subsidiaries	41,954	41,954	41,954	44,280	42,343	39,610
Loan Repayment Fund (LRF)	11,654	13,665	12,544	12,669	12,796	12,924
Total Assets Held Against Borrowings	53,608	55,619	54,498	56,949	55,139	52,534
Total Net Borrowing	123,007	170,112	173,961	161,543	153,760	142,612

9.4 Statement of Cashflow

For the Year Ending 30 June

	2020/21 Actual	2021/22 HYEFU Estimate	2021/22 PEFU Estimate	2022/23 Projection	2023/24 Projection	2024/25 Projection
Cashflows from Operating Activities						
<u>Cash provided from:</u>						
Taxation Revenues	86,520	105,991	107,557	139,310	157,705	162,703
Trading Revenue	4,041	4,444	5,404	4,954	4,974	4,974
Interest Revenue	926	391	276	395	200	200
Foreign Aid Income	21,578	53,814	31,309	91,452	19,580	11,151
Core Sector Support	7,825	7,825	7,825	7,825	0	0
Other Revenue	62,147	56,588	52,557	13,126	13,112	13,032
	183,037	229,054	204,928	257,062	195,570	192,059
<u>Cash applied to:</u>						
Crown Appropriation	193,404	159,558	151,054	133,996	126,641	126,386
Depreciation	0	0	0	0	0	0
Payments on Behalf of the Crown	28,597	28,714	28,316	32,350	31,052	30,810
Foreign Aid Expense	10,869	25,341	18,575	26,305	18,715	11,151
Net Debt-Servicing Interest	0	0	0	0	0	0
Other Expenditure	150	150	280	150	150	150
	233,020	213,763	198,226	192,801	176,558	168,497
Net Cashflows from Operating Activities	-49,983	15,291	6,702	64,261	19,013	23,562
Cashflows from Financing Activities						
<u>Cash provided from:</u>						
Subsidiary Loan Repayments	0	0	0	2,782	3,384	3,404
Other Investment Receipts	0	0	0	600	760	1,202
	0	0	0	3,382	4,144	4,606
<u>Cash applied to:</u>						
Capital expenditure	30,036	37,830	27,770	34,160	18,257	15,897
Capital expenditure - foreign aid	10,709	28,473	12,734	65,148	864	0
Advances to Subsidiaries	6,968	0	0	0	0	0
	47,713	66,304	40,504	99,308	19,121	15,897
Net Cashflows from Investing Activities	-47,713	-66,304	-40,504	-95,926	-14,977	-11,291
Cashflows from Financing Activities						
<u>Cash provided from:</u>						
Loans Drawdown	80,923	55,540	55,540	0	0	0
Other Financing Receipts	0	30	30	0	0	0
	80,923	55,570	55,570	0	0	0
<u>Cash applied to:</u>						
Loan Repayment Fund	0	12,912	12,912	13,789	19,485	21,043
Other Reserves	50	50	50	50	50	50
Other Financing Payments	0	0	0	0	0	0
	50	12,962	12,962	13,839	19,535	21,093
Net Cashflows from Financing Activities	80,873	42,608	42,608	-13,839	-19,535	-21,093
Net cash movements	-16,823	-8,405	8,807	-45,505	-15,499	-8,821
Opening General Cash Balance	73,938	54,704	57,115	65,921	20,417	4,917
Closing General Cash Reserve	57,115	46,298	65,921	20,417	4,917	-3,903

10 Statement of Accounting Policies

There have been no changes since the Fiscal Update 2021/22. There are no major changes to accounting policies anticipated in the foreseeable future.

10.1 Basis of Preparation

10.1.1 Reporting Entity

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

- Ministries,
- Crown and statutory agencies,
- Ministerial support offices,
- Island Administrations,
- State owned enterprises.

10.1.2 Statement of Compliance

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

10.1.3 Measurement Base

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

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

10.2 Significant Accounting Policies

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

10.2.1 Basis of Consolidation

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

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

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

10.2.2 Associate

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

related to the Crown are eliminated. Distributions received from an associate reduce the carrying value of the investment in the Crown Financial Statements.

10.2.3 Revenue

Revenue is measured at fair value of the consideration received or receivable.

10.2.3.1 Revenue Levied through the Crown's Sovereign Power

Payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits, such revenue is received through the exercise of the Crown's sovereign power. Revenue arising through taxes is recognised when the taxable event occurs and when the criteria for recognition of revenue is met.

Revenue Type	Revenue Recognition Point
Individual Income Tax	Individual income tax is recognised when individual tax return forms are filed and payment has been received by Revenue Management Division.
Company Income Tax	Company income tax is recognised when individual company tax return forms are filed and payment has been received by Revenue Management Division.
Withholding Tax	Withholding tax is recognised upon payment being received by Revenue Management Division.
Value Added Tax	VAT is recognised when individual monthly VAT return forms are filed and payment has been received by Revenue Management Division.
Customs levies	Custom levies are recognised upon payment being received by Revenue Management Division.
Departure Tax	Departure tax is recognised upon payment being received by Revenue Management Division from respective airlines.
Other Revenue	When the debt to the Crown arises.

10.2.4 Revenue Earned Through Operations

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

10.2.4.1 Sales of goods and services

Revenue from the supply of goods and services to third parties is measured at the fair value of consideration received.

Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the supply of services is recognised on a straight-line basis over the specified period for the services unless an alternative pattern of recognition better represents the stage of completion of the transaction.

10.2.4.2 Fines

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

10.2.4.3 Investment Income

Investment income is earned from the leasing or rental of Crown assets to third parties that is neither a Crown entity nor a Crown related party. Investment income is recognised in the period in which it is earned.

10.2.4.4 Gains

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

10.2.4.5 Dividends

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

10.2.4.6 Aid (Development Partners) Revenue

Aid revenue relates to funding received from aid donors for specified projects. Funding received in advance is recorded as aid liability and recognised as revenue when allowable costs, capital or non-capital, are incurred and any conditions are met.

Where allowable costs have been incurred but funding not received, Government recognises a receivable up to the amount of approved funding. Aid funding received that do not have any conditions are recognised as revenue.

10.2.4.7 Donated Assets

Where a physical asset is gifted or acquired by Government for nil or at a subsidised cost, the asset is recognised at fair value and the difference between the consideration provided and the fair value of the asset is recognised as aid revenue.

10.2.5 Expenses

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

10.2.5.1 Welfare Benefits

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

10.2.5.2 Grants and Subsidies

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

10.2.5.3 Losses

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

10.2.5.4 Foreign Currencies

Transactions in foreign currencies are translated into New Zealand dollar (NZD) using the exchange rate on the date of the transaction. Foreign exchange gain and losses arising from these transactions are included in the Statement of Comprehensive Revenue and Expenses.

Any monetary assets and monetary liabilities held at year end are translated at the exchange rate at the balance sheet date.

10.2.5.5 Aid Expenses

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

10.2.5.6 Depreciation

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

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

Asset Type	Useful Life
Office and computer equipment	3 – 4 years
Motor vehicles	5 years
Furniture and fittings	4 – 10 years
Plant and Equipment	5 – 15 years
Buildings and improvements	20 - 40 years
Coastal protection	25 years
Power distribution network	20 years
Road network	30 years
Water network	15 years
Airport runways	15 – 100 years
Harbour and ports structures	10 – 20 years
Waste management facilities	15 years
Plant and equipment tools	4 – 5 years
Marine equipment	5 years
Specialised buildings and other buildings	15 years

10.2.6 Non-Current Assets

10.2.6.1 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary courses of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation. Residential buildings held for the primary purpose of providing low income housing have been classified as property, plant, and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

10.2.6.2 Plant, Property, and Equipment

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

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

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

10.2.6.3 Disposals

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

10.2.6.4 Impairment

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Revenue and Expenses.

10.2.6.5 Additions

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

10.2.6.6 Work in Progress

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

10.2.6.7 Infrastructure Assets

Infrastructure assets are recorded at cost less accumulated depreciation.

Infrastructure assets are accounted for the same way as property, plant and equipment

Infrastructure assets include: road networks, water networks, power distribution networks, coastal protection systems, harbour and ports structures, and waste management and airport assets. When an infrastructure asset is disposed of, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Comprehensive Revenue and Expenses.

10.2.6.8 Intangible Assets

Intangible assets are software acquisition costs and are recorded at cost less accumulated amortisation and accumulated impairment losses.

The cost of purchased intangible assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Intangible assets might include: databases, software purchased, or software developed.

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

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

Asset Type	Useful Life
Software, databases	3 - 5 years

10.2.6.9 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

10.2.6.10 Debtors and other receivables

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

Tax receivables have been calculated on a subsequent receipt basis. All tax revenue received in the years subsequent to 30 June 2022 has been disclosed as tax receivables at year end.

10.2.6.11 Inventories

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

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

10.2.6.12 Investments

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

10.2.6.13 Banking portfolio investments

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

10.2.6.14 Provision for doubtful debts

Provision is made for taxation debt where recovery is considered doubtful.

Provision is made for banking portfolio Investments (specific loans) where recovery is considered doubtful or they have become non-performing. The accounting policy relating to measuring the impairment of loans and advances requires the Bank to assess impairment at least at each reporting date. The credit provisions raised represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement and in accordance with the Financial Supervisory Commission's (FSC) guidelines.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability. Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment. There is no general provision against banking portfolio Investments.

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

10.2.6.15 Aid (Development Partner) Assets

Donor funds are deposited into bank accounts until expensed on approved assets. Where an asset is acquired at no cost, or is donated for use by the Crown or other Crown entity, it is recognised at fair value as at the date of acquisition.

10.2.7 Liabilities

10.2.7.1 Borrowings

Borrowing liabilities are accounted for at amortised cost on the Statement of Financial Position. Any changes are recognised in the Statement of Comprehensive Revenue and Expenses. Borrowings or the proportion of borrowings expected to be settled within 12 months of balance date are disclosed as

current liabilities in the statement of the financial position. All other borrowings are disclosed as non-current liabilities.

10.2.7.2 Pension Liabilities

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

10.2.7.3 Aid Liabilities

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

10.2.7.4 Employee Entitlements

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

10.2.7.5 Other Liabilities

All other liabilities are recorded at the estimated obligation to pay. No liability for ongoing welfare payments has been recognised because no legal entitlement is considered to exist beyond the end of the current financial year until a new Appropriation Act is passed and is provided for on a pro-rata basis in the statement of financial position. Annual leave and long service leave to be settled within 12 months of the balance date, are classified as current liability. All other employee entitlements are classified as a non-current liability.

10.2.7.6 Provisions

Government recognises provisions when there is a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision should be the best estimate of the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation at that time. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

10.2.8 Cash Flow

A cash flow statement identifies the sources of cash inflow, the items on which cash was utilised and the cash balance at the reporting date. Included in the cash flow statement are financing activities which are activities that result in the change of size and composition of the contributed capital and borrowings of the Crown.

Investing activities are the acquisition and disposal of long term assets and other investments.

Operating activities identify how much the Crown received from its actual operations.

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

10.2.9 Leases

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

Operating leases, where the lessors substantially retain the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Operating leases are recognised as an expense in the Statement of Comprehensive Revenue and Expenses in the periods in which they are incurred.

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

10.2.10 Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date.

Commitments are classified as:

- Capital commitments: aggregate amount of capital expenditure contracted for but not recognised as paid or provided for at balance date.
- Lease commitments: non-cancellable operating leases with a lease term exceeding one year.
- Interest commitments on debts, commitments for funding inventory and commitments relating to employment contracts are not separately reported as commitments.

10.2.11 Contingent Liabilities

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

10.2.12 Changes in Accounting Policies

There have been no changes to the accounting policies. All policies were applied on a consistent basis with the prior year.