



---

# **Cook Islands Government**

## **Preliminary Outcome for FY15/16**

### **Quarterly Financial Report**

---

**June 2016**

**Prepared by the Ministry of Finance and Economic Management**  
**[www.mfem.gov.ck](http://www.mfem.gov.ck)**

# Table of Contents

Introduction.....	3
Key Points.....	3
Summary of the Financial Position of the General Government <i>continued</i> .....	5
Changes to Expenditure Authority.....	6
General Government Revenue Analysis.....	8
General Government Expenditure Analysis.....	11
Payments on Behalf of Crown (POBOCs).....	11
Appropriation Analysis.....	13
State Owned Entities (SOEs) Quarterly Reporting.....	16
Crown Borrowings.....	18
The Crown Loan Reserve Fund (LRF).....	20
General Government Cash Reserves.....	22
<i>OFFICIAL DEVELOPMENT ASSISTANCE (ODA)</i> .....	23
Glossary.....	33

## Introduction

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

The statements are unaudited thus reflect preliminary outcomes of general government.

## Key Points

The net operating balance of the General Government Sector as at 30 June 2016 was a surplus of 22.366 million.

- Operating revenue was \$149.760 million; and
- Operating expenditure was \$127.394 million.

The estimated overall fiscal balance for June 2016 was a surplus of \$17.502 million. The fiscal balance excludes the effects of depreciation and incorporates capital expenditure.

**Table 1**  
**Net Operating Balance General Government – June 2016**

<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>	<b>Variance</b>	
<b>Actual</b>		<b>Budget</b>	<b>Actual</b>	<b>(‘000)</b>	<b>%</b>
<b>(‘000)</b>		<b>(‘000)</b>	<b>(‘000)</b>		
128,213	Operating Revenue	142,017	149,760	7,743	5
122,074	Operating Expenditure	142,124	127,394	14,730	10
<b>6,139</b>	<b>Net Operating Balance</b>	<b>(107)</b>	<b>22,366</b>	<b>22,473</b>	<b>(21,017)</b>

**Table 2**  
**Fiscal Balance of General Government – June 2016**

<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>	<b>Variance</b>	
<b>Actual</b>		<b>Budget</b>	<b>Actual</b>	<b>(‘000)</b>	<b>%</b>
<b>(‘000)</b>		<b>(‘000)</b>	<b>(‘000)</b>		
6,139	Net Operating Balance	(107)	22,366	22,473	(21,017)
2,920	Add Crown Depreciation	2,920	2,920	-	-
2,110	Add Ministry Depreciation	2,733	2,240	(493)	(18)
1,107	Add Pa Enea Depreciation	985	1,199	214	22
17,354	Less Capital Expenditure - CI Govt Funded	23,902	11,223	12,679	53
<b>(5,077)</b>	<b>Fiscal Balance</b>	<b>(17,371)</b>	<b>17,502</b>	<b>34,873</b>	<b>(201)</b>

In the six months from January to June 2016, Cook Islands have seen an acceleration of economic activities primarily related to the record number of visitor arrivals in this period. Inbound visitor arrivals for the month of June 2016 was recorded as the highest in Cook Islands history. Positive effects of this increase was the savings in the Air New Zealand underwrite payments (57%) and increased tax revenue collected.

Capital expenditure actual spend to budget June 2016 was 47% in comparison to 80% same time last year. The primary reason for this underspend was due to the deferrals of larger projects, particularly Te Mato Vai stage 2 refer page 14.

## Summary of the Financial Position of the General Government

The net operating surplus of the General Government sector for 30 June 2016 was \$22.366 million, representing an increase of \$22.473 million on the 2015/16 Budget.

Overall, revenue was \$7.743 million higher than the 2015/16 Budget estimates and operating expenditure was lower by \$14.730 million than the 2015/16 Budget estimates for the quarter.

**Table 3**  
**Net Operating Balance as at 30 June 2016**

<b>2014/15 Actual ('000)</b>		<b>2015/16 Budget ('000)</b>	<b>2015/16 Actual ('000)</b>	<b>Variance ('000)</b>
<u>Operating Revenue</u>				
100,848	Taxation Revenue	103,222	116,270	13,048
17,046	Other Crown Receipts	18,333	19,246	913
6,261	Trading Revenue	6,013	6,799	786
976	Interest on Loans to Subsidiaries	684	0	(684)
1,350	Dividends	2,020	818	(1,202)
1,732	Interest on Funds	1,885	1,627	(258)
-	Higher Modality Partnership NZ	8,600	5,000	(3,600)
-	Public Sector Strengthening -Process and Systems	1,260	0	(1,260)
<b>128,213</b>	<b>Total Operating Revenue</b>	<b>142,017</b>	<b>149,760</b>	<b>7,743</b>
<u>Operating Expenditure</u>				
65,029	Ministry/ Pa Enea Expenditure	70,953	69,611	1,342
44,526	Payments on Behalf of the Crown	57,251	43,736	13,516
2,048	Airport Authority	2,048	2,048	-
115	Bank of Cook Islands	120	120	-
244	Te Aponga Uira	380	380	-
-	Ports Authority	110	110	-
2,168	Debt Service Interest	2,246	2,571	(325)
1,800	Asset Management	1,798	1,798	-
2,920	Crown Infrastructure Depreciation	2,920	2,920	0
-	Concessional Loan to Vanilla Farmers (BCI)	150	150	-
-	Cook Islands Primary Schools 50 year Saver	230	230	-
-	Public Sector Strengthening	672	534	138
-	Transfer to Emergency Reserve Trust Fund	50	50	-
-	Transfer to Reserve Trust Fund	515	515	-
3,100	Depreciation Contingency Fund	2,490	2,490	-
-	Contingency Funds - Capital	50	0	50
26	ADB Share Capital	0	0	-
97	Contingency Funds - Operating	140	131	9
<b>122,074</b>	<b>Total Operating Expenditure</b>	<b>142,124</b>	<b>127,394</b>	<b>14,730</b>
<b>6,139</b>	<b>Net Operating Balance</b>	<b>(107)</b>	<b>22,366</b>	<b>22,473</b>

# Summary of the Financial Position of the General Government

## *continued*

Operating Revenue in 2015/16 includes assistance from New Zealand as part of the Higher Modality Partnership with NZ. Previously this support was accounted for as part of Overseas Development Aid. The budget of \$9.9 million from this partnership was directed to the traditional areas in the Joint Commitment for Development of education, health, social impacts, tourism development and public strengthening. Further detail is provided in the *General Government Revenue Analysis*.

The under spend in POBOC Expenditure is largely attributed to savings in the Air NZ airline subsidy payments. Further detail is provided in the appropriation analysis sections.

The total expenditure appropriation for 2015/16 was \$ \$226.216 million, Section 70 [3] [b] [i] provides that the total amount of all sums issued and paid should not exceed \$ \$229.609 million (which is equivalent to 101.5 per cent of the original total appropriation for 2015/16). The final actual amount paid (on an accrual basis) is estimated to be \$171.341 million. The following table reconciles Schedule 4 from the Appropriation Bill 2015 with actual expenditure:

### Appropriation Act 2015 - Schedule 4 Reconciliation

Schedule	Budget	Actual	Variance
Agency Gross Operating Appropriation	70,850	69,611	1,239
POBOCS Excl Benefits and other Unrequested Expenses	37,446	27,313	10,133
Capital Expenditure	23,617	11,223	12,394
<b>Sched 1: Ministry Outputs (Gross), POBOCs and Capital Expenditure</b>	<b>131,913</b>	<b>108,147</b>	<b>23,766</b>
Sched 2: Benefits and other Unrequested Expenses	17,148	16,423	725
Sched 3: Borrowing Expenses and Debt Repayment	4,676	5,424	-748
Sched 4: Other Expenses	72,480	41,347	31,133
<b>Total Appropriation</b>	<b>226,217</b>	<b>171,341</b>	<b>54,876</b>

2014/15		2015/16	
Actual	Key Balance Sheet Items in General Government:	Actual	
('000)		('000)	
54,463	Cash and Equivalents (Table 15)	56,535	
(34,741)	Committed Cash	(27,289)	
<b>19,722</b>	Net Cash Reserve	<b>29,246</b>	
102,112	Gross General Government Borrowings (Table 13)	104,098	
<b>59,338</b>	Net General Government Borrowings	<b>62,831</b>	
<b>Net Cash Gain/(Loss) in the period</b>		<b>6,031</b>	

The gross borrowings by the Crown were \$104.098 million; net borrowings by the General Government Sector (excluding loan reserves and borrowings by SOEs) were \$62.831 million. The main actual increases in lending this year were increases in lending for the Rarotonga Water Ring Project and Renewable Energy. Other movements were related to normal debt interest, repayments and unrealized foreign exchange movements. Further detail is provided in *Table 13*.

The net cash reserve which is essentially unencumbered increased to \$29.246 million for 30 June 2016 (up \$6.031 million on June 2015) resulting from the Fiscal surplus offset by a slight increase in borrowing due to draw downs on capital expenditure projects. At 30 June 2016 the reported surplus had yet to convert to a

significant increase in cash balances due mainly to \$5.9 million in revenue from Fishing License fees not being received until late July combined with a portion of the increases in Tax revenue also not being received until July.

## Changes to Expenditure Authority

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

Orders in Executive Council were passed in March, April, May and June 2015 altering the authority to spend during 2015/16.

During 2015/16 net additional authority issued was \$3.364 million through Orders in Executive Council.

- \$0.332 million for increased expenditure in agency outputs;
- \$2.542 million for payments made on behalf of the Crown; and
- \$0.490 million for capital works

In total the authority issued \$3.364 million, equivalent to approximately 1.49 per cent of the total original appropriation.

Additional authority was also provided for spending of \$0.78 million for various capital projects and these were offset by savings in other capital projects.

Table 5 provides a full listing of the changes made to the operating expenditure authority of the 2015/16 budget which excludes capital.

Agencies who earn trading revenue over and above what was estimated at the time of the Budget are able to increase their appropriation with approval of the Financial Secretary, this includes an additional \$0.649 million which was provided to

- Ministry of Cultural Development – For tickets sales from Te Maeva Nui
- Ministry of Finance and Economic Management – for increased provision of border control services; and
- Infrastructure Cook Islands – for increased provision of services.

**Table 5 - Changes to the Budget Authority approved by Order in Executive Council (\$'000)[i]**

<b>Administering Agency</b>	<b>Reason</b>	<b>Issued</b>
Office of Prime Minister	Celebrations for 50 years	0.375
Office of Prime Minister	Travel for Te Maeva Nui	0.387
Office of Prime Minister	Travel for Te Maeva Nui	0.251
Office of Prime Minister	Te Maeva Nui Transportation	0.555
Finance and Economic Management	Tax for ADB Advisors	0.042
Office of the Public Service Commissioner	Top up heads of ministries salaries	0.110
Finance and Economic Management	Increased costs of FEMM/FTMM/PSD	0.055
Ministry of Health	Pharmaceuticals	0.150
Ministry of Culture	Pacific Arts Festival	0.060
National Parliament	Civil List - Personnel	0.095
National Parliament	Family Law Bill - Northern Group Consultation	0.037
National Parliament	PLPG Professional Services	0.034
National Parliament	House of Ariki 50th Anniversary Celebrations	0.120
Infrastructure Cook Islands	Atiu Tipper Truck - Duty payable on arrival	0.055
Finance and Economic Management	Patient Referrals	0.200
Office of Prime Minister	Funds for Chinese equipment	0.120
Ministry of Health	Commsec top-up payment	0.053
Ministry of Culture	Te Maeva Nui 2016	0.150
National Environment Service	NES Relocation	0.020
Crown Law	Crown Law - Privy Council	0.060
Aitutaki Island Council	Aitutaki pickup truck replacement	0.046
Aitutaki Island Council	Aitutaki rock hammer	0.016
Aitutaki Island Council	Aitutaki Water Pumps (Vaipeka, Tautu, Vaipae)	0.007
Ministry of Health	Haematology Instrument	0.118
Ministry of Health	Oxygen Plant Overhaul	0.170
Ministry of Health	Government IT Network	0.078
<b>Payments on Behalf of the Crown - modified authority to spend 2015/16</b>		<b>3.364</b>

## General Government Revenue Analysis

General Government sector revenue as at 30 June 2016 was higher than the Budget estimate by \$7.743 million (5%). This was mainly attributed to tax revenues performing well ahead budget for respective reasons detailed below

**Table 4**  
**General Government Revenue Summary – June 2016 YTD**

<b>2014-15 Actual ('000)</b>		<b>2015-16 Budget ('000)</b>	<b>2015-16 Actual ('000)</b>	<b>Variance ('000)</b>	<b>%</b>
48,079	Value-added Tax	50,605	54,486	3,881	8
19,836	Income Tax	19,747	24,711	4,964	25
11,740	Company Tax	10,547	13,391	2,844	27
10,409	Import Levies	11,971	12,313	342	3
2,223	Withholding Tax	1,856	2,928	1,072	100
8,561	Departure Tax	8,496	8,441	(55)	(1)
6,261	Trading Revenue	6,013	6,799	786	13
21,104	Other Revenue	22,922	21,691	(1,231)	(5)
-	Higher Modality Partnership NZ	8,600	5,000	(3,600)	(42)
-	Public Sector Strengthening-Process & Systems	1,260	0	(1,260)	(100)
<b>128,213</b>	<b>Total Revenue</b>	<b>142,017</b>	<b>149,760</b>	<b>7,743</b>	<b>5</b>

### Value Added Tax

Actual VAT revenue collected in the June 2016 was \$3.88 million above the 2015/16 Budget estimate (8 per cent) due to a record number of tourists to the island and consequently increased economic activities.

### Income Tax

Actual Income Tax revenue collected for June 2016 was \$4.96 million above the 2015/16 Budget estimate (25 per cent). Payments of old age pension PAYE for previous years settled in this year and delays in refunds pay-outs contributed to this positive variance.

### Company Tax

Actual Company tax collected in the quarter ending June 2016 was \$2.84 million (27 per cent) above the 2015/16 Budget estimate as a result of increased economic activities.

### Import Levies

Actual Import levies collected for June 2016 were \$0.34 million (3 per cent) above the 2015/16 Budget estimate.

### Withholding Tax

Actual Withholding tax collections were \$1.07 million (100 per cent) above the 2015/16 Budget estimate.

### Departure Tax

Departure tax collections were \$0.55 million (1 per cent) under the 2015/16 Budget estimate.

### Trading Revenue

This will be discussed in the next section (Appropriation Analysis).

### Higher Modality Partnership Agreements

Agreement was reached with New Zealand in September 2015 for the 2015/16 year. Consequently there has been timing issues with receipt of this revenue and only revenue received by 30 June 2016 has been accounted for as



revenue. Associated expenditure, particularly related to performance based funding has been managed lower accordingly.

### Other Crown Revenue

Other Crown Revenue was \$1.231 million below the 2015/16 budget (-5 per cent). This is predominantly due to revenue from coin circulation below budget as a result of timing. Coin Circulation generates revenue for Government when coins supplied to banks are either destroyed, lost or taken out of the Cook Islands. Costs associated with minting coins offsets the lower than expected revenue.

At the time of presenting the outcomes for 2015/16 SOE's had not declared dividends and revenue has therefore not been recognised.

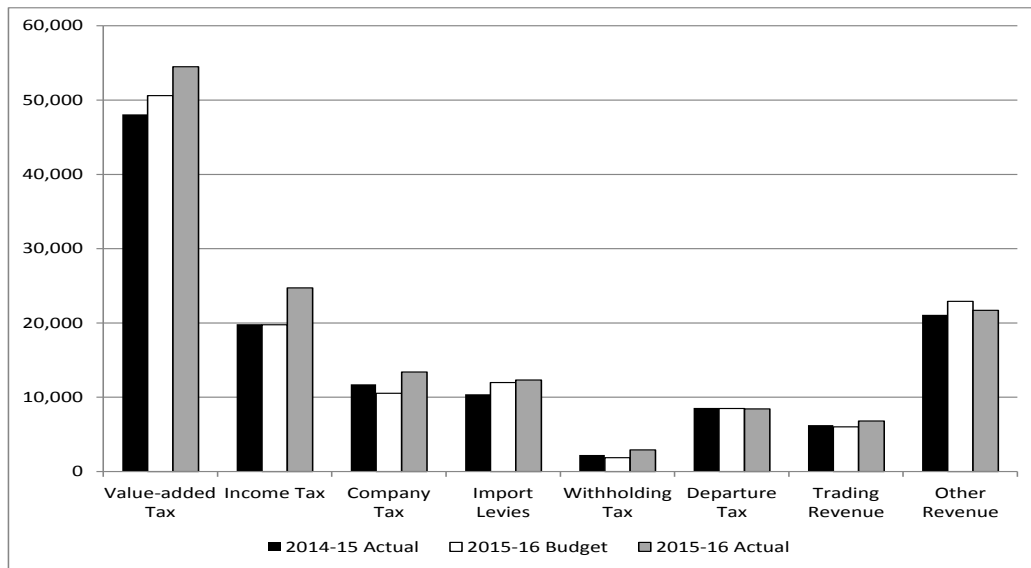
**Table 5**

### **General Government Other Revenue Summary - June 2016 YTD**

<b>2014-15 Actual ('000)</b>		<b>2015-16 Budget ('000)</b>	<b>2015-16 Actual ('000)</b>	<b>Variance</b>	
				<b>('000)</b>	<b>%</b>
344	FSC Fees	262	555	293	112
556	Vested Assets-FSC	260	288	28	11
652	Immigration Fees	584	715	132	23
0	IMO Subscription - Maritime CI	63	-	(63)	(100)
50	Court Services	50	49	(1)	(3)
24	Instant Fines	20	23	3	13
8,064	Fishing Licences	3,807	7,714	3,907	103
1,777	Fisheries Catch Rev	1,700	-	(1,700)	(100)
1,046	Fisheries US Treaties	4,280	5,819	1,539	36
1,225	Fishing Fines	500	-	(500)	(100)
2	Research Fees	1	1	-	-
16	Permits	24	13	(11)	(45)
10.00	Banana Court -Dividends	10	-	(10)	(100)
279.00	Bank of the Cook Islands	481	-	(481)	(100)
300.00	Te Aponga - Dividends	319	-	(319)	(100)
60	Extraordinary SOE-Dividends	60	18	42	(70)
1,350	Telecom-Dividends	1,150	800	350	(30)
298	Numismatic Revenue	500	396	(104)	(21)
125	Drivers Licenses	180	292	112	62
1,032	Motor Vehicle Registrations	875	631	(244)	(28)
1,732	Interest on balances	1,885	1,627	(258)	(14)
976	Interest on loans to subsidiaries	684	-	(684)	(100)
27	Foreign Investment Fees	26	30	4	17
764	Upper Air Management Agreement	510	545	34	7
77	Shipping Reg/Licenses	231	324	93	40
15	Intl Shipping Licenses	10	15	5	50
28	Liquor Licensing	30	32	2	6
130	Tattslotto Grants	120	173	53	44
5	Censorship Fees	12	2	(10)	(82)
137	Circulating Currency- Coins	4,238	1,173	(3,065)	(72)
0	Employers Liability	44	-	(44)	(100)
3	Motor Vehicle Dealers	5	456	451	9,021
<b>21,104</b>		<b>22,922</b>	<b>21,691</b>	<b>(1,231)</b>	<b>(5)</b>

\* In the 2015/16 budget a policy was established whereby CIG would seed the new sovereign wealth fund with extraordinary revenues that were not budgeted for. Revenue generated from fishing fines and vested assets in the table above will be set aside into this fund once legislative changes are in place. Also, no performance indication from State Owned Enterprises was provided at 30 June 2016, thus no dividends have been accrued.

**Figure 1**  
**General Government Revenue – 2014/15 Actual and 2015/16 Budgets and Actual (\$000)**



**Figure 2**  
**Net Operating Revenue Trends**

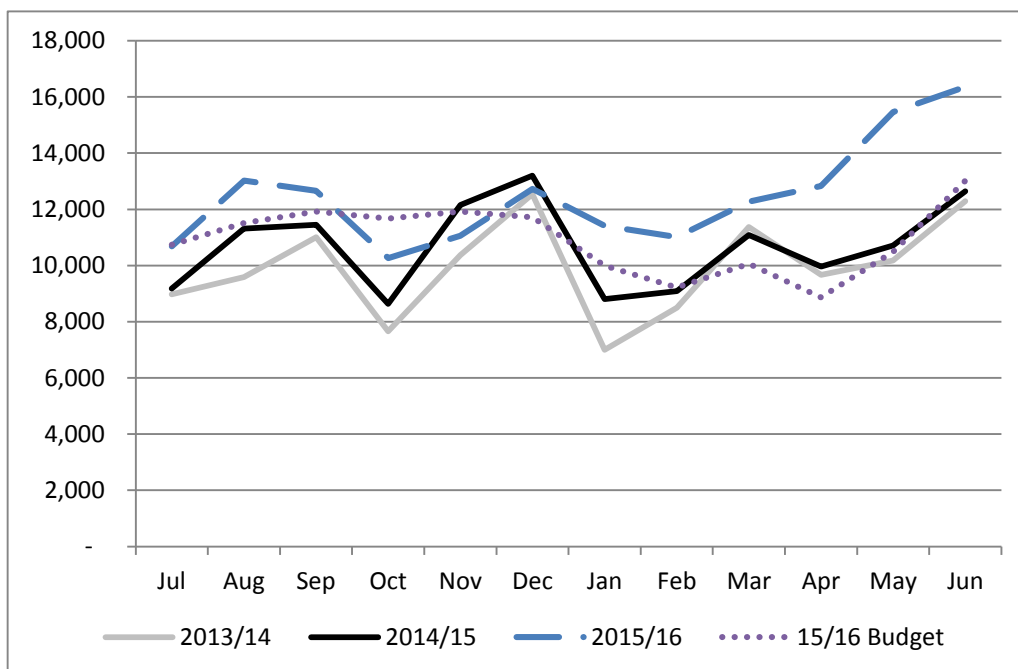


Figure 2 shows that the trends over the previous two financial years of operating revenue and against the 2015/16 budget are quite consistent and significant increase on prior years and budget, mainly from taxes revenues.

# General Government Expenditure Analysis

## Payments on Behalf of Crown (POBOCs)

Table 6

### Payments on Behalf of Crown – June 2016 YTD

2014/15 Actual ('000)	Administering Ministry	POBOC	Budget (000)	Actuals (000)	Variance (000)	%
<b>Compensation of Employees</b>						
75	Cook Islands Investment Corporation	Infrastructure Committee	75	42	33	43
	Cook Islands Investment Corporation	Est of an SOE to manage Consortia on Deep Sea				
40		Minerals Harvesting	175	66	109	62
124	Finance & Economic Management	Parliamentary Superannuation	180	136	44	25
82	Finance & Economic Management	National Heritage Trust	82	84	(2)	(2)
	Finance & Economic Management	Public Sector Strengthening -processess and				
0		systems MFEM	1,250	0	1,250	100
23	Audit	PERC Salaries and Administration Costs	43	37	5	12
24	Internal Affairs	Price Tribunal	30	30	0	0
177	Justice	Judges Allowances	177	179	(2)	(1)
2,012	Parliamentary Services	Civil List - Personnel	1,820	2,018	(199)	(11)
146	Parliamentary Services	House of Ariki	296	296	(0)	(0)
285	Cook Islands Investment Corporation	School Security	250	177	73	29
56	Transport	Director of Civil Aviation	56	56	0	0
<b>3,046</b>			<b>4,433</b>	<b>3,122</b>	<b>1,312</b>	<b>30</b>
<b>Use of Goods and Services</b>						
96	Audit	Audit Fees	96	96	0	0
450	Cultural Development	Te Maeva Nui Constitution Celebrations	739	737	2	0
281	Cook Islands Investment Corporation	Hosting Te Maeva Nui participants at schools	35	32	3	8
760	Education	Tertiary Training Institutions	760	772	(12)	(2)
30	Finance & Economic Management	Audit of Crown Accounts	30	30	0	0
283	Finance & Economic Management	National Superannuation Fund	269	269	0	0
45	Finance & Economic Management	Standard and Poors Subscription	40	40	0	0
0	Foreign Affairs	Cook Islands Student Association	5	5	0	0
39	Justice	General Elections, Petitions and By-Elections	0	0	0	0
15	Head Of State	Domestic Hosting Entertainment	15	15	0	3
667	Health	Pharmaceuticals	868	818	50	6
99	Infrastructure and Planning	OI Unanticipated Breakdowns	100	100	0	0
534	Infrastructure and Planning	Waste Management	545	498	47	9
72	Internal Affairs	Lease extension	72	72	0	0
390	Internal Affairs	Vaka Maintenance	400	444	(44)	(11)
663	Parliamentary Services	Civil List - Operating Expenses	529	536	(7)	(1)
34	Parliamentary Services	PPAPD - FDOC Secretariat	68	69	(1)	(1)
195	Prime Minister's Office	Social Responsibility Fund	195	315	(120)	(62)
250	Prime Minister's Office	Self Government Golden Anniversary	679	638	41	6
0	Prime Minister's Office	Local Government Elections	0	8	(8)	0
24	Police	Search and Rescue	20	1	19	95
57	Police	Serious Crime Investigations	50	144	(94)	(188)
85	Police	Te Kukupa - Fuel Contribution	140	86	54	39
0	Police	Youth Program	45	21	24	53
2,250	Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,100	5,100	0	0
5	Prime Minister's Office	Returned Services Association	5	5	0	0
5	Prime Minister's Office	Cook Islands Marine Park	0	0	0	0
102	Prime Minister's Office	Community Development Fund	100	86	14	14
63	Foreign Affairs	IMO - Maritime Cook Islands	63	0	63	100
0	Environment	E-Waste Collection	50	65	(15)	(31)
<b>7,495</b>			<b>11,018</b>	<b>11,003</b>	<b>15</b>	<b>0</b>

<b>Subsidies</b>						
137	Education	University of the South Pacific Contribution	285	121	164	57
9,764	Finance & Economic Management	Air New Zealand - Subsidies	12,000	5,118	6,882	57
1,325	Finance & Economic Management	Apex - Profit Guarantee	1,500	1,362	138	9
35	Finance & Economic Management	FSC - subsidy to meet depreciation expenses	0	0	0	0
0	Finance & Economic Management	Provision for Inter Island Shipping	500	0	500	100
40	Finance & Economic Management	Subsidy of audio/visual broadcasting in Pa Enuu	45	0	45	100
<b>11,300</b>			<b>14,330</b>	<b>6,601</b>	<b>7,729</b>	<b>54</b>
273	Education	Government Funded Scholarships	1,030	378	652	63
550	Health	Patient Referrals	750	750	0	0
187	Health	Nursing School	234	234	0	0
195	Health	NCD Fund	195	195	(0)	(0)
15,964	Internal Affairs	Welfare Payments	16,968	16,287	680	4
2	Justice	Legal Aid	40	0	40	100
<b>17,172</b>			<b>19,217</b>	<b>17,844</b>	<b>1,373</b>	<b>7</b>
<b>Other Expense</b>						
1,983	Education	Private School Funding	2,147	2,147	0	0
68	Finance & Economic Management	Pacific Catastrophe Risk Insurance	121	121	(0)	(0)
481	Foreign Affairs	International Subscriptions	552	467	85	15
200	Marine Resources	Establishment of Fisheries Development Facility	200	199	1	0
-	Marine Resources	Fisheries Development Facility in the Pa Enuu	100	89	11	11
	CI Seabed Minerals Authority	Establishment of Seabed Minerals Authority	0	0	0	0
152	Internal Affairs	CISNOC Grant	220	220	0	0
357	Internal Affairs	NGO and Welfare Organisations	931	290	641	69
235	Internal Affairs	Team CI Pacific Games in PNG	0	0	0	0
1,034	Finance & Economic Management	New coins production	2,845	1,091	1,754	62
	Prime Minister's Office	Temporary Structure Auditorium	0	1	(1)	0
969	Prime Minister's Office	Te Maeva Nui Transport Costs	1,088	519	569	52
35	Parliamentary Services	Ui Ariki Day	50	22	28	56
<b>5,514</b>			<b>8,253</b>	<b>5,167</b>	<b>3,087</b>	<b>37</b>
<b>44,526</b>	<b>Grand Total</b>		<b>57,251</b>	<b>43,736</b>	<b>13,516</b>	<b>24</b>

The overall savings in POBOC expenditure (24 per cent) was largely attributed to the Air New Zealand underwrite (\$6.882 million), Public Sector Strengthening (\$1.250 million), Provision for Inter Island Shipping (\$0.500 million) and New Coins Production (\$1.754 million).

Welfare payments were below budget by 4 per cent at \$0.681million due to less old age pension pay outs during June 2016.

**Table 7**  
**Welfare Payments – June 2016 YTD**

2014/15		2015/16	2015/16	Variance	
Actual		Budget	Actual	(000)	%
('000)		('000)	('000)		
<b>Legislated Payments</b>					
2,767	Child Benefit	2,701	2,713	(12)	(0)
235	New Born Allowance	250	200	50	20
11,444	Old Age Pension	12,337	11,883	454	4
414	Destitute & Infirm Persons Payment	396	420	(24)	(6)
95	Maternity Leave	120	127	(7)	(6)
<b>Non-legislated Welfare Payments</b>					
277	Caregiver's Allowance	376	251	126	33
276	Christmas Bonus	284	279	5	2
156	Funeral Allowance	170	142	28	0
73	Power Subsidy	87	69	18	21
80	Special Assistance	100	66	34	34
149	BCI Transaction Fee	147	137	10	7
<b>15,964</b>	<b>Total Welfare Payments</b>	<b>16,968</b>	<b>16,287</b>	<b>681</b>	<b>4</b>

## Appropriation Analysis

Table 8

### Ministries, Agencies & Ministerial Office Appropriation Analysis – June 2016 YTD

Actual 2014/15 ('000)		Budget 2015/16 ('000)	Actual 2015/16 ('000)	Variance ('000)	%
40,404	Personnel	42,681	42,508	173	0
11,751	Operating	16,393	16,136	257	2
2,110	Depreciation	2,733	2,240	493	18
3,103	Trading Revenue	4,907	5,556	649	13
<b>51,162</b>	<b>Net Appropriation</b>	<b>56,900</b>	<b>55,328</b>	<b>1,572</b>	<b>3</b>

#### Personnel

Personnel expenditure for June 2016 quarter was \$0.2 million lower than budget (0%). The contributing factor for this variance was mainly from Ministry of Education, Ministry of Health and Audit still not fully staffed hence savings in personnel. 25 Ministries under spent and 8 Ministries overspent.

#### Operating

Operating expenditure for June 2016 quarter was lower than budget \$0.3 million (2 %). This was mainly due to lower repairs and maintenance costs. Most ministries were closely monitoring their phone and broadband usages parallel to practising bulk purchasing on office supplies to reduce costs. 21 Ministries underspent while 12 overspent.

#### Depreciation

Depreciation expenditure was under budget for June 2016 by \$0.5 million (18%) with Ministry of Health the main contributor with its high volume of assets at salvage value however still in working condition and being managed internally. 25 ministries have underspent and or are in line with their depreciation costs while 5 ministries overspent.

#### Trading Revenue

Trading Revenue for June 2016 was \$0.65 million (13%) higher than budget. Excess trading revenue was mainly from the Ministry of Finance through its overtime recoveries which will be offset by RMD wages/salaries. Ministry of Infrastructure contributed mainly from its road works, waste management and their Energy division. Ministry of Justice came through with its court fees, certificates and licenses. Of the 16 Ministries with trading revenue, 11 have exceeded their revenues while 5 were under.

**Table 9**

***Pa Enuu (Outer Islands) Appropriation Analysis – June 2016 YTD***

<b>2014/15 Actual ('000)</b>		<b>Budget 2015/16 ('000)</b>	<b>Actual 2015/16 ('000)</b>	<b>Variance ('000)</b>	<b>%</b>
5,929	Personnel	5,933	5,980	(47)	(1)
3,728	Operating	2,228	1,548	680	31
1,107	Depreciation	985	1,199	(214)	(22)
3,158	Trading Revenue	1,106	1,243	137	12
<b>7,607</b>	<b>Net Appropriation</b>	<b>8,040</b>	<b>7,484</b>	<b>556</b>	<b>7</b>

**Personnel**

Personnel expenditure for June 2016 quarter was \$0.047 million (1%) above budget. Islands exceeded their personnel expenditure due to extra staffs being employed later in the financial year to accommodate operational needs.

**Operating**

Operating expenditure for June 2016 quarter was \$0.680million (31%) under budget. Five Islands had savings on fuel expenditure mainly due to solar energy production of power and decreased freight expenditure.

**Depreciation**

Depreciation expenditure for June 2016 was \$0.214mil (22%) over budget as a result of under provisioning of depreciation expense by the islands due to the inclusion of Chinese donated machinery in their fixed asset registers.

**Trading Revenue**

Trading Revenue has exceeded its June 2016 Quarter Budget by \$0.137 million (12%). Six islands exceeded their trading revenue targets attributed to the activities relating to machinery hire, agriculture vegetable sales and private jobs.

## Other General Government Operating Expenditure

**Table 10**  
**Other General Government Operating Expenditure– June 2016 YTD**

2014/15 Actual ('000)		2015/16 Budget ('000)	2015/16 Actual ('000)	Variance ('000)	%
2,048	Airport Authority	2,048	2,048	-	-
115	Bank of Cook Islands	120	120	-	-
244	Te Aponga Uira	380	380	-	-
-	Ports Authority	110	110	-	-
1,800	Asset Management	1,798	1,798	0	0
2,168	Debt Servicing Interest	2,246	2,571	(325)	(14)
97	Contingency Funds - Operating	140	131	9	6
-	Contingency Funds - Capital	50	0	50	100
2,920	Crown Infrastructure Depreciation	2,920	2,920	-	-
-	Consessional Loan to Vanilla Farmers (BCI)	150	150	-	-
-	Cook Islands Primary Schools 50 year Saver	230	230	-	-
-	Public Sector Strengthening	672	534	138	20
-	Transfer to Emergency Response Trust Fund	50	50	-	-
-	Transfer to Reserve Trust Fund	515	515	-	-
3,100	Depreciation Contingency Reserve	2,490	2,490	-	-
<b>12,493</b>	<b>Total Other Operating</b>	<b>13,919</b>	<b>14,048</b>	<b>(128)</b>	<b>(1)</b>

Other operating costs for the General Government sector was 1 per cent budget. Unfavourable exchange rates on debt servicing interest was the main reason for the variance which was offset by an under spend on public sector strengthening expenditure related to the retirement package available for public servants over the age of 60 who voluntarily retire from the Public Service before the 30<sup>th</sup> June 2016.

**Figure 3**

### Net Operating Expenditure Trends

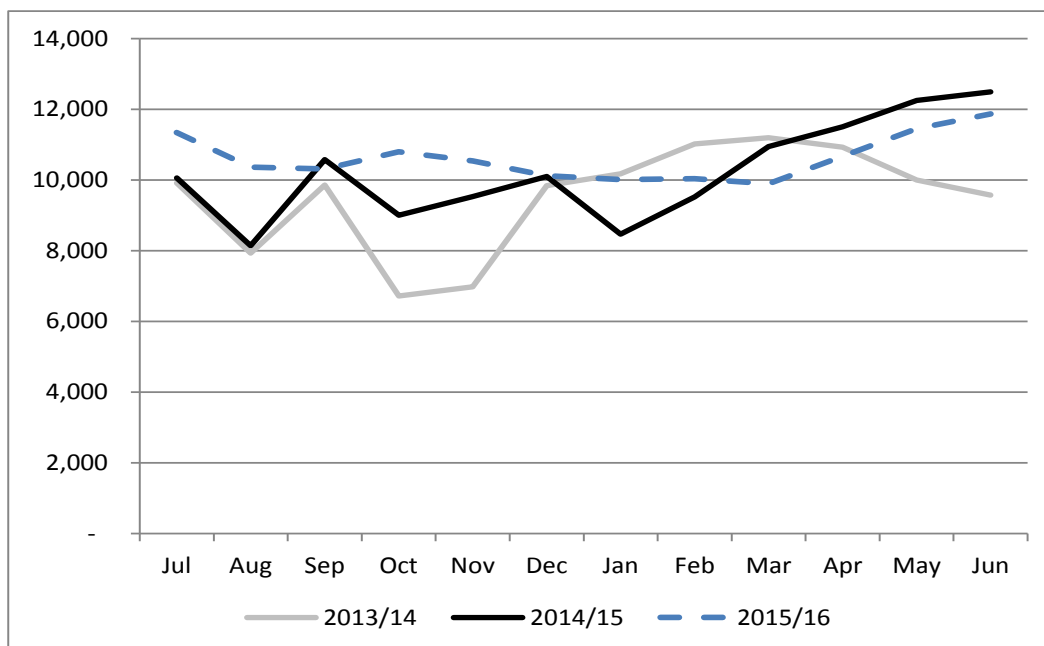


Figure 3 shows the trends over the previous two financial years of operating expenditure.

## State Owned Entities (SOEs) Quarterly Reporting

The table below summarises the June 2016 quarter performances of Cook Islands Investment Corporation (CIIC), Airport Authority, Bank of the Cook Islands, Ports Authority and Te Aponga Uira. It should be noted that the budget figures below represent the respective internal budgets of the SOEs. The appropriations approved to SOEs by Parliament are the social responsibility contributions of government.

**Table 12**  
**SOEs Appropriation Analysis – June 2016 YTD**

<b>2014/15</b>		<b>Budget</b>	<b>Actuals</b>	<b>Variance</b>	
<b>Actuals</b>		<b>2015/16</b>	<b>2015/16</b>	<b>(‘000)</b>	<b>%</b>
<b>(‘000)</b>		<b>(‘000)</b>	<b>(‘000)</b>	<b>(‘000)</b>	
8,612	Personnel	10,020	9,152	868	9
24,195	Operating	22,131	21,690	441	2
7,652	Depreciation	8,237	7,952	285	3
39,168	Trading Revenue	37,248	38,777	1,529	4
<b>1,291</b>	<b>Net Activity Cost (Surplus)</b>	<b>3,141</b>	<b>17</b>	<b>3,123</b>	<b>99</b>

### Personnel

Personnel expenditure for the 2015/16 year was \$0.868 million lower than Budget estimates (9 per cent). This was due to unfilled of new and vacant positions namely in Te Aponga Uira resulting in \$0.538 million in savings for this SOE.

### Operating

Operating expenditure for 2015/16 was \$0.441million lower than the Budget estimates (2 per cent). Savings in fuel and maintenance costs resulted in favourable variance. Two out of the five SOE’s made savings in operating totalling \$1.842 million in comparison to the remaining three that had an unfavourable result in operating totalling \$1.401 above budget. This unfavourable result was attributed to unfavourable foreign exchange movements and other unbudgeted operating expenses.

### Depreciation

Depreciation expenditure was \$0.285 million lower than the budget (3 per cent). This was mainly driven by better provision for depreciation expense in the SOE budgets.

### Trading Revenue

Trading revenue for the 2015/16 year was \$1.529 million higher than the Budget estimate (4 per cent). Te Aponga Uira and BCI both reported better than budget trading revenue as result of interest earned on term deposits (TAU) and higher interest earning on loans (BCI).



## Capital Expenditure

The 2015/16 Appropriation passed in June 2015 provided for a total of \$23.617 million in Cook Islands funded capital for the year. Final actual expenditure is estimated to have been \$11.223 million.

MINISTRY	Budget (000)	Actual (000)	Variance (000)	%
<b>EDUCATION</b>				
Fund to be Prioritised by Education	360	416	-56	-16
ICT upgrades (computers & laptops)	88	88	0	0
	448	504	-56	-13
<b>HEALTH</b>				
Fund to be Prioritised by Health for Technical Equipment	561	580	-20	-4
Theatre Bed	250	250	0	0
	811	830	-20	-2
<b>INFRASTRUCTURE COOK ISLANDS</b>				
Bridges & Drainage	1,500	87	1,413	94
Road Network Maintenance	430	430	0	0
Water Network Maintenance	500	499	1	0
Manihiki Harbours	100	100	0	0
National Incinerator Feasibility study	150	44	106	71
Mangaia Water and Roads	100	112	-12	-12
Project City -Management Unit	62	95	-33	-54
Project City Stage 3 - ADB ERSP	3,092	3,297	(206)	(7)
Atiu Airport Runway Stabilisation	858	90	768	90
Atiu Crusher	102	108	-6	-6
Sanitation Upgrade Programme	1,410	1,410	0	0
Rutaki Foreshore Rock Revetment	200	4	196	98
Muri Road widening (including Aroko)	335	61	274	82
Bitumen Truck	120	123	(3)	(2)
Pa Enea Machinery Shelters	500	271	229	46
	9,459	6,731	2,728	29
<b>AITUTAKI ISLAND COUNCIL</b>				
Aitutaki road sealing	915	407	508	56
	915	407	508	56
<b>OFFICE OF THE PRIME MINISTER</b>				
Atiu Power Distribution	105	110	-5	-5
Renewable Management Project Management and Support	250	151	99	40
Atiu water distribution mains	450	181	269	60
	805	442	363	94
<b>COOK ISLANDS INVESTMENT CORPORATION</b>				
Pa Enea Renewable Energy Projects-Land Acquisition	1,410	639	771	55
Orongo Development Master Plan (Ports Authority)	250	161	89	36
Provision for land rent review	500	0	500	100
Pukapuka Hospital Renovations	500	0	500	100
Apiti Nikao School	384	76	308	80
Te Mato Vai - Land Acquisitions for Water Intakes	500	0	500	(100)
	3,544	875	2,669	75
<b>MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT</b>				
Government IT Network	100	168	-68	-68
CIGov Procurement Website - ADB ERSP	100	-	100	100
Rarotonga Watertank Subsidy - ADB ERSP	207	135	72	35
RMS Web Lodgement System	300	300	0	0
China Grant Heavy Machinery & Pearl Equipment Freight, Training	500	497	3	1
Te Mato Vai - Rarotonga Water Upgrade	6,204	454	5,750	93
	7,411	1,554	5,857	79
<b>INTERNAL AFFAIRS</b>				
Internal Affairs tipper truck	50	41	9	18
Vaka Maintenance Capital Projects	50	-	50	100
	100	41	59	59
<b>MINISTRY TOTAL</b>				
	<b>23,492</b>	<b>11,384</b>	<b>12,108</b>	<b>52</b>
<b>CAPITAL FUNDS ADMINISTERED BY MFEM</b>				
Capital Distribution Fund	300	-246	546	182
Outer Islands Small Capital Fund	110	85	25	23
	410	-161	571	139
<b>GRAND TOTAL</b>				
	<b>23,902</b>	<b>11,223</b>	<b>12,679</b>	<b>53</b>

## Crown Borrowings

The Crown's gross borrowing at the June 2016 quarter was \$104.01 million, a decrease of \$2.67 million from the March 2016 quarter. The decrease was attributable to the favourable movement in exchange rates against the New Zealand Dollar (NZD) of \$1.94 million, principal repayments of \$1.04 and offset by the drawdown of the China – Rarotonga Water Ring Project of \$0.17 million and drawdown of the Renewable Energy Project of \$0.15.

The exchange rates movement for this quarter are shown in the following table:

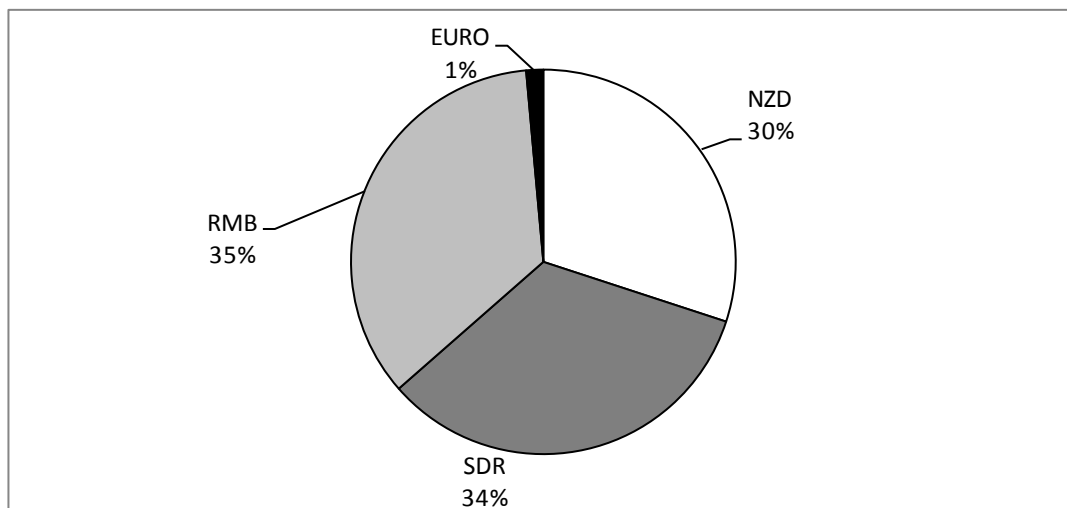
**Table 12**  
**Average Exchange Rates Used**

Foreign Exchange Currency	30-Mar-16	30-Jun-16	Changes
	Average	Average	
EUR	0.6261	0.6391	0.013
USD	0.6848	0.71	0.0252
CNY	4.4442	4.715	0.2708
SDR	0.4942	0.5076	0.01336

The unrealised foreign exchange gain of \$1.94 million is largely the effect of the positive movement in the RMB of 35% and Special Drawing Rights (SDR) at 34% per cent of the total government borrowing is denominated in SDR as illustrated in Figure 4.

Net borrowings by the General Government at this quarter were \$62.831 million, a \$1.941 million decrease from the March 2016 quarter. This decrease was attributable to the favourable movement in exchange rates against the New Zealand Dollar (NZD) of \$1.79 million, principal repayments of \$0.47 and offset by the drawdown of the China – Rarotonga Water Ring Project of \$0.17 million and the drawdown of the Renewable Energy Project of \$0.15

**Figure 4**  
**Composition of Crown Debt by Currency**



Managing the exchange risk is an ongoing task for the Crown. Working closely with local banks and the services of Bancorp over the global exchange rates movement to accommodate its annual debt servicing plan is paramount to the Crown.

Table 13 below summarised Crown's estimated debt position at June 2016 quarter.

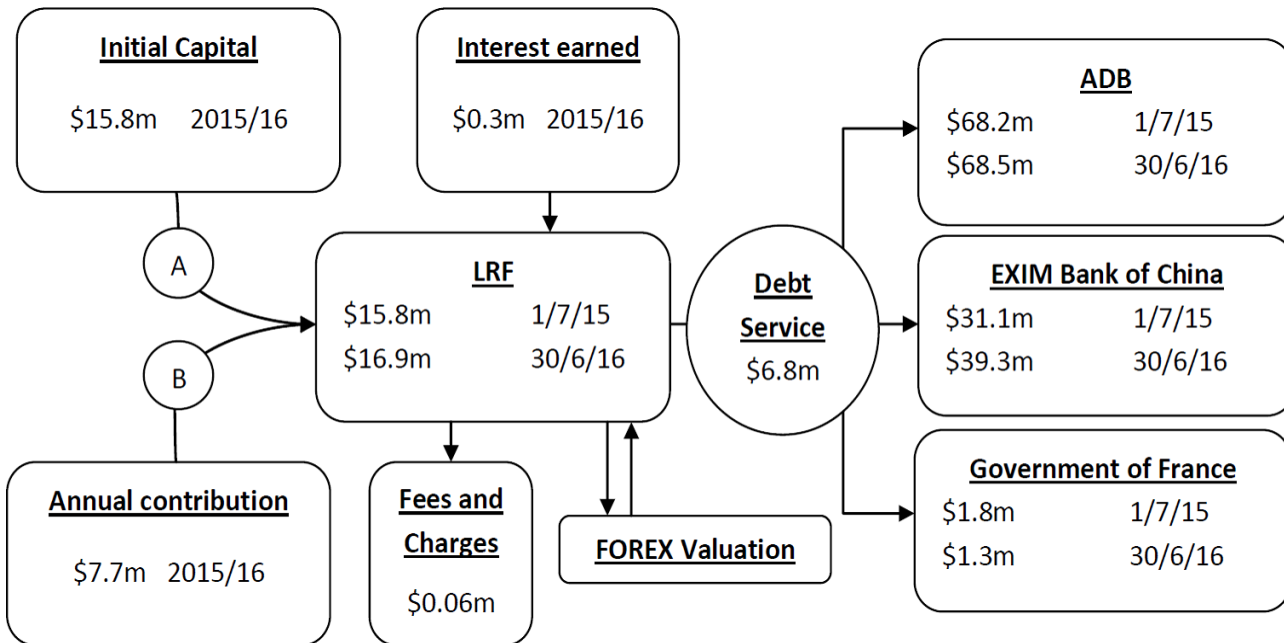
**Table 13**  
**Crown Borrowings – June 2016 YTD**

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	March 15 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	June 2016 Balance ('000)	Change March 16 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	1,782	(274)	(31)	-	1,477	(305)
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	12,114	-	(418)	-	11,696	(418)
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	25,418	-	(886)	168	24,700	(718)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	483	-	(8)	-	475	(8)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	551	(40)	(8)	-	503	(48)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	1,871	-	(32)	-	1,839	(32)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	4,507	-	(77)	-	4,430	(77)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,176	(36)	(21)	-	1,119	(57)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	405	(12)	(7)	-	386	(19)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	444	-	(8)	-	436	(8)
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,707	-	(46)	-	2,661	(46)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,265	-	(39)	-	2,226	(39)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	5,158	-	(89)	-	5,069	(89)
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	865	(10)	(15)	-	840	(25)
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,343	(66)	(40)	-	2,237	(106)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,567	(35)	(62)	-	3,470	(97)
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,700	(101)	-	-	9,599	(101)
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	9,173	-	(158)	-	9,015	(158)
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,322	(44)	-	-	5,278	(44)
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	6,948	-	-	-	6,948	-
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	8,542	-	-	-	8,542	-
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	492	-	-	151	643	151
ANZ - Airport Authority	NZD	8,100	Apr-11	Apr-16	932	(423)	-	-	509	(423)
<b>Total Gross Borrowings</b>					<b>106,765</b>	<b>(1,041)</b>	<b>(1,945)</b>	<b>319</b>	<b>104,098</b>	<b>(2,667)</b>
<i>Total Loans with ADB</i>					<b>66,519</b>	<b>(344)</b>	<b>(610)</b>	<b>151</b>	<b>65,716</b>	<b>(803)</b>
<i>Total Loans with Other Sources</i>					<b>40,246</b>	<b>(697)</b>	<b>(1,335)</b>	<b>168</b>	<b>38,382</b>	<b>(1,864)</b>
<b>Total Gross Borrowings</b>					<b>106,765</b>	<b>(1,041)</b>	<b>(1,945)</b>	<b>319</b>	<b>104,098</b>	<b>(2,667)</b>
Less Loan Reserve					16,866	-	-	-	16,866	-
<b>Net Borrowing by the Crown</b>					<b>89,899</b>	<b>(1,041)</b>	<b>(1,945)</b>	<b>319</b>	<b>87,232</b>	<b>(2,667)</b>
Less Avatiu Port Development					24,195	(145)	(158)	-	23,892	(303)
Less ANZ - Airport Authority					932	(423)	-	-	509	(423)
<b>Net Borrowing by the General Government</b>					<b>64,772</b>	<b>(473)</b>	<b>(1,787)</b>	<b>319</b>	<b>62,831</b>	<b>(1,941)</b>

## The Crown Loan Reserve Fund (LRF)

In February 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act 2014 formally creating an LRF. The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilised for anything outside of debt servicing requirements. The LRF Act also ensures a framework for the prudential management of all sovereign public debt and ensures the timely allocation of money from the Budget for debt servicing.

**Figure 0.1 Loan Reserve Fund movements 2015/16**



The LRF currently has sufficient funds to fully cover all debts owed by on behalf of SOEs to lenders. These SOEs include the Bank of the Cook Islands, Te Aponga Uira, and Telecom Cook Islands Limited.

The tender for the analytical services of the LRF was awarded to the New Zealand Company Bancorp, with transactional services and account management being awarded to ANZ in a competitive tender process. Bancorp's fees are outlined in the table below.

**Table 14 Loan Reserve Fund Statement**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Opening LRF balance	16,211	15,770	16,903	17,066	14,702
Contribution to LRF principle	4,743	5,424	5,424	5,424	5,424
Contribution to LRF interest	2,227	2,246	2,246	2,246	2,246
Interest earned (avg 2%)	324	315	338	341	294
<b>Total transfer into the LRF</b>	<b>6,111</b>	<b>7,986</b>	<b>8,008</b>	<b>8,011</b>	<b>7,964</b>
Repayment of SOE loans					
Principal	1,207	1,236	1,265	1,265	1,007
Interest	133	122	111	100	88
<b>Total repayment from LRF</b>	<b>1,340</b>	<b>1,358</b>	<b>1,376</b>	<b>1,365</b>	<b>1,095</b>
Repayment of other debt					
Principal	3,289	3,272	3,894	6,601	6,657
Interest	1,923	2,162	2,515	2,351	2,185
<b>Total repayment other debt</b>	<b>5,212</b>	<b>5,435</b>	<b>6,409</b>	<b>8,952</b>	<b>8,842</b>
Other service fees	-	60	60	60	60
<b>LRF stock balance</b>	<b>15,770</b>	<b>16,903</b>	<b>17,066</b>	<b>14,702</b>	<b>12,669</b>

Table 14 illustrates the movement in the LRF in the next five years. The transfers into the LRF have increased from \$6.23 million during the time of the 2014/15 Budget to \$7.670 million due to the new loan from the ADB for the Southern Group renewable energy project and to compensate for unfavourable movements in exchange rates. For accounting purposes, this transfer is divided into two components: a debt interest obligation (\$2.246 million) and a debt principle repayment (\$5.424 million); these are the estimated required payments into the LRF. The transfers out of the LRF for principle and interest are the estimated debt servicing requirements at the time of the Budget and are subject to exchange and drawdown variations.

## General Government Cash Reserves

General government cash reserves at the June 2016 quarter were \$18.81 million, a decrease of \$2.29 million from the March 2016 quarter resulting from increased government operation expenses.

**Table 15**  
**Cash Reserves –June 2016 YTD**

	Dec-16	Mar-16	Jun-16	Change in Qtr
	Q2	Q3	Q4	
Total Term Deposits at the Bank				
Westpac	3,355	3,267	7,992	4,725
ANZ	29,959	32,171	21,050	-11,121
BCI	13,805	13,839	18,141	4,302
Total Term Deposits	47,119	49,277	47,183	-2,094
Operating Capital - Public Account <sup>7</sup>	7,096	6,709	9,352	2,643
Total Cash Reserves	54,215	55,986	56,535	549
Committed				
Trust Fund General Reserve	2,911	2,911	2,911	0
Disaster Response Trust <sup>1</sup>	891	896	901	5
Loan Reserve Fund <sup>2</sup>	17,010	17,820	16,903	-917
Project City - Multi Year funding <sup>3</sup>	755	13	0	-13
Trust Account Deposit <sup>4</sup>	3,025	3,039	3,074	35
Carry Forward Contingency <sup>5</sup>	500	500	500	0
Working Capital Estimate <sup>6</sup>	3,000	3,000	3,000	0
Total Commitment at balance date	28,092	28,179	27,289	-890
Estimated Uncommitted Cash Reserves	26,123	27,807	29,246	1,439

<sup>1</sup> Disaster Response Trust – funds set aside for emergency response in the event of disasters

<sup>2</sup> Loan Reserve Fund – established in 2001 to hold SOE loan repayments to the Crown

<sup>3</sup> ADB USD 10 million loan – ADB Economic Recovery Support Program loan funds used to fund Project City

<sup>4</sup> Trust Account Deposit – funds held on behalf of Land Trust and Workers Compensation Trust

<sup>5</sup> Carry Forward Contingency – funds tagged for any carry forwards of operating expenditure

<sup>6</sup> Working Capital – estimated funds tagged to cover overall Government cash flow requirements

<sup>7</sup> Operating CIG – estimated reserves in Government Agency bank accounts.

## **OFFICIAL DEVELOPMENT ASSISTANCE (ODA)**

Official Development Assistance budgeted for 2016/17 has increased by \$20 million compared to the budget in 2015/16 of \$49 million reflecting new ODA programmes and the carry forward of some existing programmes from the 2015/16 financial year to 2016/17. As per publication of Budget 2016/17 in parliament, estimated spend for 2015/16 is reported at \$27.3 million. As at 30 June 2016, the ODA conversion rate is a 56% spend for 2015/16. Note delays in significant capital projects such as Te Mato Vai, Apii Nikao, Sanitation Programme have also resulted in lower ODA spend in 2015/16 which is beyond the control of DCD however we should see an increased spend in 2016/17 as a result of this. For a full breakdown of ODA Funding, see Schedule 10.

### **Performance Based Budget Support- New Zealand**

The Government of the Cook Islands and New Zealand have negotiated a new higher support modality for the next forward aid programme. Rather than focusing on a project-level oversight with multiple contracts for each project, the new agreement shall shift program oversight to the policy level through an annual high-level dialogue.

The overarching goal is to “enhance the Cook Islands’ self-sufficiency by enabling predictable, efficient and effective delivery of priority development objectives coupled with practical policy reform”. This GFA goal aligns with our (recently-signed) Joint Commitment for Development (JCfD) objectives of improving economic growth, strengthening human capacity, and enhancing overall economic self-sufficiency.

**Output 1** - \$6.876m for delivery of core services and economic growth activities

**Output 2** - \$0.7m for Technical Assistance – paid over as required, on signing of contracts between CIG and TA providers.

The new forward aid programme with New Zealand includes a performance payment of \$1 million annually, based on achievement of public service improvement targets. Additional funding of approximately \$1 million over three years will be administered by New Zealand.

It was agreed at the second High Level Policy Dialogue held in June 2016 that the Cook Islands were successful in receiving the \$1 million incentive payment, this payment was transferred to the Treasury account late June 2016.

### **Climate Change Finance – UN Adaptation Fund**

In December 2014, the Cook Islands Government submitted its application for accreditation to the UN Adaptation Fund to receive direct climate financing as a National Implementing Entity. The application process was rigorous and required extensive collaboration across key agencies. MFEM has requested to be part of the Funds streamlined accreditation process which allows direct access, but limits the available funds based on the assessment of the current national systems of the Cook Islands. On the 14<sup>th</sup> July 2016, the Adaptation fund announced the Cook Islands as being successful in becoming accredited to the fund under the new streamline approach. Under this streamlined approach, the Cook Islands are able to access up to \$3 million.

In 2012 the Adaptation Fund approved US \$5.3 million overseen by the United Nations Development Programme (UNDP) to support the implementation of Strengthening the Resilience of our Islands and our Communities to Climate Change (SRIC). This project is being managed by Climate Change Cook Islands (CCCI), Office of the Prime Minister. This programme’s objective is to strengthen the ability of Pa Enua, and all Cook Island communities, to make informed decisions and manage anticipated climate change driven pressures in a proactive, integrated and strategic manner.

## **Strengthening the Resilience of our Islands and Communities to Climate Change (SRIC)**

The objective of this programme is to strengthen the ability of the Pa Enea communities and the public service to enable them to make informed decisions and manage climate change driven pressures (including extreme events) in a proactive, integrated and strategic manner. The programme supports the Cook Islands at the National Sector and Pa Enea levels through the implementation of the Cook Island's Joint National Action Plan for Disaster Risk Management and Climate Change Adaptation. Included is the coordination of the SRIC small grant programme as of 2016/2017, previously coordinated by Cook Islands Red Cross along with the GEF Small Grants Programme.

## **China Grant Fund**

To date more than RMB 111 million (NZD 23 million) has been spent on or committed to projects funded by the People's Republic of China. The current balance of remaining China grants is estimated to be NZD 20 million as at April 2015. This amount is yet to be verified and the Ministry is actively working with the China Development Bank to reconcile expenses paid and agree to the final balance remaining.

As of now, the remaining grant funds have been aligned to the Cook Islands Government's National Infrastructure Investment Plan.

Furthermore, the Cook Islands Government has formulated a revised three year China grant Strategy for the use of remaining and future grant funding, with the main priority focused on the reconstruction of Apii Nikao.

A milestone was reached when in April 2016, representatives from both the Cook Islands Government and the People's Republic of China (PRC) came to an agreement on the design and implementation arrangements for the Apii Nikao rebuild project. A team of eight engineers and architects from the China Urban Construction Design & Research Institute (CUCD) was assigned to the Cook Islands for 2 weeks to confirm the design scheme and implementation requirements together with Cook Islands officials.

Following such agreement, construction will commence in early 2017. However, CIIC and CUCD will continue site and preliminary work in 2016 in preparation for the construction phase.

## **Apii Nikao Construction**

The 2015/16 Budget included \$5 million towards the construction of Apii Nikao. In August 2015, Ambassador Wang confirmed China's commitment to undertake the Apii Nikao Rebuild project at a ceremony held at Nikao School during the 50th Constitution Celebrations. Subsequently, a Letter of Exchange (LoE) confirming arrangements was signed in October 2015 during the visit of the Special Envoy Du Qiwen. It is anticipated that the PRC and the Cook Islands government will be discussing timeframes and an outline of next steps in the process and proposed timeframes for the commencement and completion of construction. PRC have advised a design team from MOFCOM are scheduled to arrive in Rarotonga by end of March 2016 to review designs to Apii Nikao.

## **European Union Budget Support**

The European Union (EU) provides its bilateral assistance via the European Development Fund (EDF) currently at the end of its tenth cycle (EDF 10). Cycle 11 (EDF 11) continues with an incentivized budget support approach, encouraging the Cook Islands to allocate funds using national systems over the years 2014 to 2020. Whilst tranche one of the EDF 10 budget was received in 2013/14, an unfortunate delay in implementation of sanitation upgrades by one year resulted in the absence of funds in 2014/15. The final EDF 10 tranche will be allocated in 2015/16, and tranche one of EDF 11 in 2017/18. Performance is measured using indicators such as macroeconomic benchmarks, public financial management, transparency and democratic values. Variable payments are tagged to improved results such as lagoon water quality.



## **Sanitation Upgrade Programme**

The Sanitation Upgrade Programme (SUP), which commenced following completion of the WMI, was designed to install up to a further 1000 on-site systems on Rarotonga and Aitutaki. The SUP grant arrangement between the Governments of New Zealand and the Cook Islands was signed in June 2014, and the programme was expected to end on 30 June 2018. This \$18m programme includes funding from New Zealand (\$10m), the European Union (\$4m), and the Cook Islands (\$4m).

In late 2015, an unusual and prolonged outbreak of seaweed and algae in the Muri lagoon highlighted the human impacts on lagoon water quality and the need for effluent disposal and treatment above and beyond on-site site secondary treatment systems that had been installed under the pilot WMI and continued under the SUP.

A reticulation system for Muri / Avana was envisaged to be built in order to connect to the existing (and future) on-site treatment systems. The estimated cost for this component was approximately \$14m, although considerable further design work and analysis is required to firm up the existing cost as well as assess the appropriateness of the design concept.

In March 2016, the Cook Islands Government agreed to the recommendations in the Calibre report and asked the New Zealand Government to consider supporting a reticulated wastewater disposal and treatment system for Rarotonga, with the immediate focus being on the Muri / Avana area. On-site treatment should continue, as long as risks and issues identified can be appropriately addressed. At present, Aitutaki is still included in the SUP.

Based on these recent events, New Zealand's MFAT is now using this assignment to engage a Technical Specialist to assist WATSAN to revise the SUP activity and deliver a new suite of wastewater components, including the design and construction of a reticulation system in Muri / Avana.

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

The Cook Islands Government embarked on a multimillion dollar upgrade of the water supply system on Rarotonga, with the goal of "delivering potable water, reliably, to all properties connected to the existing water supply network, originally by 2015". In order to achieve its target, the Cook Islands Government formed "Te Mato Vai" – the Cook Islands Water Partnership with the Governments of the People's Republic of China and New Zealand. Funding for the Water Supply Upgrade has been provided through a combination of Cook Islands budget funding, a Chinese Government loan and grant assistance from New Zealand Government.

The project is divided into two stages – Stage 1 being the replacement of the ring main; Stage 2 being the refurbishment of intakes and provision of storage, filtration and trunk mains.

To date, the China Civil Engineering Construction Corporation (CCECC) has constructed 94% of the required ring main construction (Stage 1). Since the related land issues are expected to be resolved in May 2016, the ring main construction will therefore be resumed in June 2016.

For Stage 2, a preferred contractor has been identified to prepare detailed designs for intakes, pipelines, treatment works and reservoirs. A contract with the preferred contractor will be signed as soon as the land issues that affect Stage 1 have been resolved. This is expected to happen in June 2016.

In the meantime, the Government is in the process of establishing a Water Supply Utility (WSU) State-owned Enterprise (SOE), initially in Rarotonga, with a mandate to charge customers for the supply of services, and to manage the substantial existing water supply and monitoring.

At this point, it is expected that the TMV project will be completed by September 2017, and the WSU SOE will be fully operational.

## **Social Impact Fund**

Funded by the Governments of the Cook Islands, New Zealand and Australia, the Social Impact fund provides grants for community projects with income generating initiatives that focus on organisational strengthening, community development and awareness. The Ministry of Internal Affairs manages the fund using an approach that aims to foster coordination with wider government authorities and other development partner resources, to facilitate alignment of funding for non-governmental organisations and community services with national policy inclusive of gender issues.

- The agreement was varied in August 2013 to include an additional \$0.925 million from Australia's Pacific Women Shaping Pacific Development Initiative. The funding is to focus on two key components of the Cook Islands National Policy on Gender Equality and Women's Empowerment 2011-2016. These are to strengthen the capacity of government agencies, island councils and non-government agencies to help women access and benefit from new economic opportunities, and protect victims of domestic violence by developing legal frameworks, law enforcement responses and services for victims, and by mobilising communities to intervene to protect victims.

The Social Impact Fund Grant Funding Arrangements will end 30 June 2016 with no clear commitment from the New Zealand Government on whether the program will continue until an evaluation of the program is completed. The evaluation is expected to be completed in May 2016. From July 2016, it is anticipated support for SIF will be delivered by direct budget support from New Zealand. Budget estimates have been included based on the existing GFA arrangement.

## **Ridge to Reef**

The ridge to reef project funded by the Global Environment Fund, administered by the United Nations Development Programme (UNDP) Samoa office on behalf of the Cook Islands. The National Environment Services is the key implementing partner of the project in collaboration with Ministry of Marine Resources, Ministry of Agriculture and the Cook Islands Tourism Corporation. The goals of this initiative include:

- Improving and developing biodiversity conservation and management
- Strengthening the resilience within the fisheries sector through capacity building
- Promoting agricultural livelihood programmes for Rarotonga and the Pa Enea
- Building local capacity within the Pa Enea through collaborative programmes with each partner
- Supporting and strengthening the GIS capacity of these partners to be better able to inform decision making processes
- Tourism initiatives for investment development to be supported through technical assistance

## **Renewable Energy**

The goal of the Renewable Energy Programme Support is to establish a solid foundation for renewable energy sector development and operations in the Cook Islands.

New Zealand funding has been used for the construction of renewable energy infrastructure on Rarotonga and islands of the Northern Group and involves the installation of following renewable energy generation infrastructure. This project is now completed.

The focus now moves to the Southern Group. As part of the Renewable Energy Roadmap, a grant of EUR 5.3 million (USD 7.26 million) has been pledged to the Cook Islands from the European Union. The Japan PEC Fund is contributing \$5.231 million of product to the Southern Energy project. The project, estimated at around \$29 million, has a loan component of NZD12.98million and will be administered by the Asian Development Bank (ADB) to complete the transformation of electricity generation from diesel to solar power for the Southern Cook Islands

and selected projects on Rarotonga. GEF6 is contributing \$5.517 million to be spent in 2016/17 to implement the project of battery storage at the Rarotonga airport to facilitate grid stabilisation.

### **Aid Effectiveness**

The Aid Effectiveness budget is drawn from the interest earned on development partner trust accounts and is used by the MFEM to support the implementation of the official development assistance policy. The programme currently contributes to several projects including the following: annual meeting of development partners, development of Te Tarai Vaka, surge capacity to catch up and standardise Crown financial statements, training and set-up of project financial management software and fostering of South-South cooperation such as peer learning activities between Small Island Developing States.

### **Tereora College Redevelopment (Phase 1)**

Phase 1 has been funded by NZGovt at the value of \$11.7 million to the end of 2017. Funding for Stages two, three and four are yet to be identified. This project involves a complete rebuild of Tereora College. The new buildings will:

- Accommodate 750 students, 50 teachers and 10 support staff.
- Draw on the local heritage of the area.
- Provide quality, comfortable and flexible learning environments.
- Address climate change by adopting energy efficient measures.
- Meet changing learning and teaching demands.

**Table 15 ODA Expenditure– June 2016 YTD**

	General Public Service	Defense	Public Order & Safety	Economic Affairs	Environment Protection	Housing & Community Am enities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<b>Asian Development Bank</b>											
YTD Budget	375,000	0	0	0	0	0	0	0	0	0	375,000
YTD Actual	2,423	0	0	0	0	0	0	0	0	0	2,423
\$ Variance	372,577	0	0	0	0	0	0	0	0	0	372,577
% Variance	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%
<b>Australia</b>											
YTD Budget	0	221,250	0	0	0	176,250	0	0	0	162,750	560,250
YTD Actual	0	0	0	0	0	0	0	0	0	48,829	48,829
\$ Variance	0	221,250	0	0	0	176,250	0	0	0	113,921	511,421
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	70%	91%
<b>Australia Adaptation</b>											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	0	0	0	0
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Australia Department of Defence</b>											
YTD Budget	0	221,250	0	0	0	0	0	0	0	0	221,250
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	221,250	0	0	0	0	0	0	0	0	221,250
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>China</b>											
YTD Budget	300,000	0	0	5,671,800	0	0	0	0	3,750,000	0	9,721,800
YTD Actual	0	0	0	1,243,842	0	0	0	0	0	0	1,243,842
\$ Variance	300,000	0	0	4,427,958	0	0	0	0	3,750,000	0	8,477,958
% Variance	100%	100%	100%	78%	100%	100%	100%	100%	100%	100%	87%
<b>Commonwealth Secretariat</b>											
YTD Budget	0	0	0	54,750	0	0	0	0	0	0	54,750
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	54,750	0	0	0	0	0	0	54,750
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Cook Islands Government</b>											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	0	0	0	0
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>EU/German Development Cooperation</b>											
YTD Budget	0	0	0	0	0	315,000	0	0	0	0	315,000
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	315,000	0	0	0	0	315,000
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>European Union</b>											
YTD Budget	1,655,250	0	221,250	4,326,975	348,000	0	0	0	0	0	6,551,475
YTD Actual	10,000	0	0	0	5,000	0	0	0	0	0	15,000
\$ Variance	1,645,250	0	221,250	4,326,975	343,000	0	0	0	0	0	6,536,475
% Variance	99%	100%	100%	100%	99%	100%	100%	100%	100%	100%	100%

	General Public Service	De fense	Public Order & Safety	Economic Affairs	Environment Protection	Housing & Comm unity Amenities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<b><u>New Zealand Aid Programme</u></b>											
YTD Budget	7,470,000	0	350,250	445,875	2,982,500	2,578,500	0	0	0	176,250	14,013,375
YTD Actual	5,401,238	0	675,761	310,426	734,101	2,222,059	0	0	423,570	759,358	10,526,513
\$ Variance	2,068,762	0	-325,511	135,449	2,258,399	356,441	0	0	-423,570	-583,108	3,486,862
% Variance	28%	100%	-93%	30%	75%	14%	100%	100%	0%	-331%	25%
<b><u>Pacific Islands Forum</u></b>											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	0	0	0	0
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>Secretariat of the Pacific Community</u></b>											
YTD Budget	0	0	0	37,500	0	0	0	0	0	0	37,500
YTD Actual	0	0	0	99,572	0	0	0	0	0	0	99,572
\$ Variance	0	0	0	-62,072	0	0	0	0	0	0	-62,072
% Variance	100%	100%	100%	-166%	100%	100%	100%	100%	100%	100%	-166%
<b><u>Food &amp; Agriculture Organisation (UN)</u></b>											
YTD Budget	0	0	0	404,850	10,875	0	0	0	0	0	415,725
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	404,850	10,875	0	0	0	0	0	415,725
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>Forum Fisheries Agency</u></b>											
YTD Budget	0	0	0	300,000	0	0	0	0	0	0	300,000
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	300,000	0	0	0	0	0	0	300,000
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>Global Environment Fund (GEF)</u></b>											
YTD Budget	0	0	0	137,250	2,646,525	0	0	0	0	0	2,783,775
YTD Actual	0	0	0	0	431,422	0	0	0	0	0	431,422
\$ Variance	0	0	0	137,250	2,215,103	0	0	0	0	0	2,352,353
% Variance	100%	100%	100%	100%	84%	100%	100%	100%	100%	100%	85%
<b><u>Green Climate Fund</u></b>											
YTD Budget	0	0	0	0	0	112,500	0	0	0	0	112,500
YTD Actual	0	0	0	0	0	91	0	0	0	0	91
\$ Variance	0	0	0	0	0	112,409	0	0	0	0	112,409
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>India</u></b>											
YTD Budget	0	0	0	0	0	195,000	0	0	0	0	195,000
YTD Actual	0	0	0	0	0	1,144	0	0	0	0	1,144
\$ Variance	0	0	0	0	0	193,857	0	0	0	0	193,857
% Variance	100%	100%	100%	100%	100%	99%	100%	100%	100%	100%	99%
<b><u>Japan</u></b>											
YTD Budget	0	0	0	4,674,000	0	0	0	0	0	0	4,674,000
YTD Actual	0	0	0	2,609,722	0	0	0	0	0	0	2,609,722
\$ Variance	0	0	0	2,064,278	0	0	0	0	0	0	2,064,278
% Variance	100%	100%	100%	44%	100%	100%	100%	100%	100%	100%	44%

	General Public Service	De fense	Public Order & Safety	Econom ic Affairs	Environ ment Prote ction	Housing & Comm unity Am enities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<b><u>Secretariat of the Pacific Community</u></b>											
YTD Budget	0	0	0	37,500	0	0	0	0	0	0	37,500
YTD Actual	0	0	0	99,572	0	0	0	0	0	0	99,572
\$ Variance	0	0	0	-62,072	0	0	0	0	0	0	-62,072
% Variance	100%	100%	100%	-166%	100%	100%	100%	100%	100%	100%	-166%
<b><u>SIDS-DOCK</u></b>											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	0	0	0	0
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>South Korea</u></b>											
YTD Budget	201,000	0	0	0	0	0	0	0	0	0	201,000
YTD Actual	0	0	0	0	0	0	0	174,618	0	0	174,618
\$ Variance	201,000	0	0	0	0	0	0	-174,618	0	0	26,382
% Variance	100%	100%	100%	100%	100%	100%	100%	0%	100%	100%	13%
<b><u>Sterling Foundation</u></b>											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	0	0	0	0
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>Turkey</u></b>											
YTD Budget	0	0	0	0	0	0	0	45,000	0	0	45,000
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	45,000	0	0	45,000
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>UNESCAP</u></b>											
YTD Budget	0	0	0	0	25,360	0	0	0	0	0	25,360
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	25,360	0	0	0	0	0	25,360
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>United Nations Adaptation Fund</u></b>											
YTD Budget	0	0	0	0	1,027,500	0	0	0	0	0	1,027,500
YTD Actual	0	0	0	0	890,843	0	0	0	0	0	890,843
\$ Variance	0	0	0	0	136,657	0	0	0	0	0	136,657
% Variance	100%	100%	100%	100%	13%	100%	100%	100%	100%	100%	13%

	General Public Service	De fense	Public Order & Safety	Economic Affairs	Environ ment Pro tection	Housing & Comm unity Am enities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<b><u>United Nations Children's Fund</u></b>											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	0	0	0	0
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>United Nations Development Programme</u></b>											
YTD Budget	96,375	0	0	0	0	0	0	0	0	0	96,375
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	96,375	0	0	0	0	0	0	0	0	0	96,375
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>United Nations Educational, Scientific &amp; Cultural Org.</u></b>											
YTD Budget	0	0	0	0	0	0	0	0	106,500	0	106,500
YTD Actual	0	0	0	0	0	0	0	0	85,644	0	85,644
\$ Variance	0	0	0	0	0	0	0	0	20,856	0	20,856
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	20%	100%	20%
<b><u>United Nations Environment Programme</u></b>											
YTD Budget	0	0	0	0	0	0	0	0	0	0	0
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	0	0	0	0	0
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>United Nations Population Fund</u></b>											
YTD Budget	0	0	0	0	0	0	84,000	0	0	0	84,000
YTD Actual	0	0	0	0	0	0	46,214	0	0	0	46,214
\$ Variance	0	0	0	0	0	0	37,786	0	0	0	37,786
% Variance	100%	100%	100%	100%	100%	100%	45%	100%	100%	100%	45%
<b><u>United States</u></b>											
YTD Budget	0	0	0	22,500	0	0	0	0	0	0	22,500
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	22,500	0	0	0	0	0	0	22,500
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b><u>World Health Organisation</u></b>											
YTD Budget	0	0	0	0	0	0	233,775	0	0	0	233,775
YTD Actual	0	0	0	0	0	0	0	0	0	0	0
\$ Variance	0	0	0	0	0	0	233,775	0	0	0	233,775
% Variance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Totals for Report</b>											
YTD Budget	10,097,625	442,500	571,500	16,075,500	7,050,760	3,377,250	317,775	0	3,901,500	339,000	42,173,411
YTD Actual	5,413,661	0	675,761	4,263,562	2,061,365	2,223,294	46,214	174,618	509,214	808,187	16,175,876
\$ Variance	4,683,964	442,500	-104,261	11,811,938	4,989,395	1,153,956	271,561	-174,618	3,392,286	-469,187	25,997,534
% Variance	46%	100%	-18%	73%	71%	34%	85%	0%	87%	-138%	62%





## Glossary

Below are a list of terms which are mentioned at various points in this report and what they are for the purposes of this report:

### *Revenue*

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

### *Revenue Levied Through the Crown's Sovereign Power*

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

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
Individual Income Tax	When an individual earns income that is subject to PAYE or provisional tax. This also includes withholding taxes.
Company Income Tax	When the corporate community earns taxable income.
Value Added Tax	When the liability to the Crown is incurred. For example, the liability arising from sales in June being paid in July however recognised as revenue in June.
Customs levies	When goods liable to duty are assessed, except for Oil Companies which are accounted for when the liability to the Crown is incurred.
Departure Tax	When airlines remit the departure tax component of tickets sold.
Other Revenue	When the debt to the Crown arises.

### *Expenses*

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

### *Foreign Currencies*

Transactions in foreign currencies are translated into New Zealand dollar using the exchange rate on the date of the transaction. Foreign exchange gain and losses arising from these transactions are included in the Statement of Financial Performance.

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

### *Aid Expenses*

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

### *Appropriation*

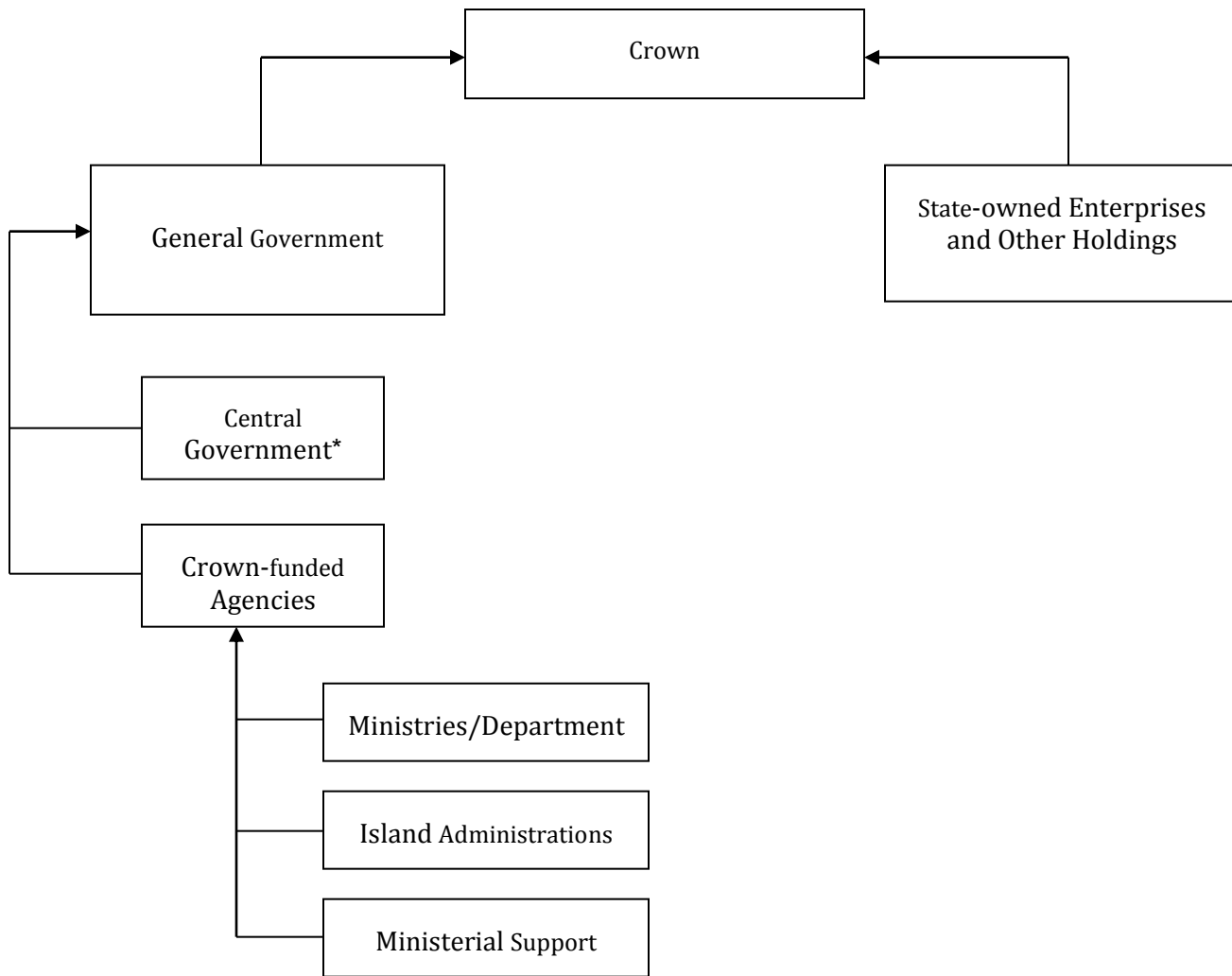
Appropriations are the funding-source provided by the Crown (as a Central Government entity) to allow the recipients (Crown-funded Agencies – see term below) to carry out their purposed operations.

*Crown-funded Agencies/Agencies*

These are recipients of funding via an appropriation. Crown-funded Agencies refer to ministries/departments, island administrations, and ministerial support offices.

*General Government*

General Government consists of Central Government and Crown-funded Agencies. It does not include State-Owned Enterprises or holdings in other entities (eg. Telecom). The diagram below shows how all relate.



\* Parliament and the Head of State are included in the Central Government section

