

Cook Islands Government

Quarterly Financial Report

December 2017

Prepared by the Ministry of Finance and Economic Management
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Introduction

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

Budget estimates 2017/18 reflects the YTD budget as per phased cash flow plus additional funding that has been either carried forward or approved through an executive order.

Key Points

The net operating balance of the General Government Sector as at 31 December 2017 was a surplus of \$8.29 million.

- Operating revenue was \$79.12 million and;
- Operating expenditure was \$70.83 million.

Table 1
Net Operating Balance General Government - December 2017

2016/17		2017/18	2017/18		
Actual		Budget	Actual	Variance	
('000)		('000)	('000)	('000)	%
82,095	Operating Revenue	79,498	79,117	(380)	(0)
63,611	Operating Expenditure	79,428	70,829	8,599	11
18,484	Net Operating Balance	70	8,289	8,219	11,739

The overall fiscal balance of \$3.27 million (*Table 2*) adjusts the Net Operating Balance for the effects of depreciation and capital expenditure.

Table 2
Fiscal Balance of General Government - December 2017

2016/17		2017/18	2017/18		
Actual		Budget	Actual	Variance	
('000)		('000)	('000)	('000)	%
18,483	Net Operating Balance	70	8,289	8,219	11,739
1,841	Add Crown Depreciation	2,301	2,301	(0)	(0)
1,307	Add Ministry Depreciation	1,899	2,111	212	11
545	Add Pa Enea Depreciation	533	544	11	2
5,650	Less Capital Expenditure - CI Govt Funded	33,912	9,975	23,937	71
16,526	Fiscal Balance	(29,108)	3,269	32,378	(111)

- Total revenue collections for the half year ending December 2017/18 were in line with Budget estimate.
- Total operating expenses for the half year ending December 2017/18 were lower than budget estimates and are largely attributed to lower expenditure of Administered Payments (\$4.99 million) followed by lower than estimate spending on Ministry/Pa Enea appropriation (\$2.76 million).
- Capital Expenditure was well below expectations (\$23.94 million) due mainly to scheduling.

Summary of the Financial Performance of the General Government

The net operating surplus of the General Government sector for December 2017 quarter was \$8.29 million, representing an increase of \$8.22 million on the 2017/18 Budget estimates for the same period.

Overall, revenue was \$0.04 million lower than the 2017/18 Budget estimates and operating expenditure was lower by \$8.60 million compared to the 2017/18 Budget estimates for the reporting period.

Table 3
Net Operating Balance as at 31 December 2017

2016-17 Actual ('000)	2017/18 Budget ('000)	2017/18 Actual ('000)	Variance ('000)
<u>Operating Revenue</u>			
62,606	63,067	67,403	4,337
12,892	8,663	5,372	(3,291)
3,449	1,755	2,427	672
552	367	410	44
35	894	894	0
684	870	669	(201)
1,877	0	0	0
0	3,883	1,942	(1,941)
82,095	79,498	79,117	(380)
<u>Operating Expenditure</u>			
34,953	37,761	34,998	2,763
0	21,698	16,710	4,989
23,722	14,286	12,063	2,223
4,935	5,683	7,058	(1,375)
63,611	79,428	70,829	8,599
18,484	70	8,289	8,219

General Government Cash Reserves

General government cash reserves at the December 2017 were \$61.40 million, an increase of \$9.79 million from September 2017.

Table 4
Cash Reserves –December 2017 YTD

	June 17 Qtr ('000)	Sept 17 Qtr ('000)	Dec 17 Qtr ('000)	Change Sept 17 Qtr ('000)
Total Term Deposit at the Bank				
BSP	7,833	7,864	7,878	14
ANZ	34,343	47,151	58,428	11,277
BCI	21,864	12,169	10,995	(1,174)
Total Term Deposit at the Bank *	64,040	67,184	77,300	10,116
Operational Capital - Public account	21,516	14,265	14,032	(233)
Total Cash Reserve	85,556	81,449	91,333	9,884
Committed:				
Trust Fund General Reserve	2,911	2,911	2,911	0
Disaster Response Trust ¹	1,663	1,716	1,716	0
Loan Reserve Fund ²	18,420	18,536	18,631	95
Trust Account Deposit ³	3,170	3,172	3,172	0
Carry Forward Contingency – OPEX ⁴	500	500	500	0
Working Capital ⁵	3,000	3,000	3,000	0
Total Commitment for this year	29,664	29,835	29,930	95
Estimated General Cash Reserve	55,892	51,614	61,402	9,788

The increase was largely a result of \$4.64 million drawdown from the Official Development Assistance (ODA) fund towards core sector support for Health, Education and Tourism.

Also contributing to the increase in cash reserve was the saving in overall fiscal balance (\$3.27 million) as reported in the previous section.

This does not include cash balances on the Ministry Operating Bank Accounts or Crown cash operating accounts.

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

² Loan Reserve Fund – established in 2001 to hold SOE loan repayments to the Crown

³ Trust Account Deposit – funds held on behalf of Land Trust and Workers Compensation Trust

⁴ Carry Forward Contingency – funds tagged for any carry forwards of operating expenditure

⁵ Working Capital – funds tagged to cover overall Government cash flow requirements

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 shall not exceed one and a half percent (1 ½ per cent) of the total amount of all sums appropriated by the Appropriation Act or Acts for that year.

Table 5

Section 70(3) (b) (i) - Calculation	('000)
Total Government Appropriation 2017/18	273,247
Excess (1.5%) of Total Appropriation	4,099
<i>less: Approved expenditure for the Quarter</i>	2,885
Balance as at 31 December 2017	1,214

The fiscal space available to be expended over and above the 2017/18 budget appropriation is \$1.21 million, the general government sector has spent \$2.89 million out of the \$4.10 million to the end of the December quarter.

Table 6

Approved Executive Orders under Section 70(3) (b) (i)	('000)
Land for Nukutere College	530
Arrears for Toka Hagai	12
Aitutaki Road Sealing	374
Muri Road Widening	425
Rakahanga Island Governement Pontoon Boat	20
Civil List and Parliamentary shortfalls	272
Top up the Contingency Fund	100
VAT component land by warrant Avarua for MOE	264
Cook Islands Cultural team - Shenzhen China	16
MOH-Anaesthetist & Paediatrician roles, 12th Pacific Ministerial Meeting	133
CI Government contribution to China Building Repair project - Stage 1	340
Administrative Funds for Pharmaceuticals & Patient Referrals	400
Total as at 31 December 2017	2,885

General Government Revenue Analysis

General Government sector revenue as at 31 December 2017 was slightly lower than budget estimate by \$0.04 million.

Table 7
General Government Revenue Summary – December 2017 YTD

2016-17		2017-18	2017-18	Variance	
Actual		Budget	Actual	('000)	%
('000)		('000)	('000)	('000)	
31,104	Value-added Tax	31,956	31,509	(447)	(1)
11,948	Income Tax	12,645	12,197	(448)	(4)
7,219	Company Tax	6,905	9,677	2,772	40
6,800	Import Levies	6,234	7,552	1,317	21
731	Withholding Tax	0	915	915	100
4,804	Departure Tax	5,327	5,554	227	4
3,449	Trading Revenue	1,755	2,427	672	38
1,877	Higher Modality Partnership NZ	0	0	0	0
0	Core Sector Support	3,883	1,942	(1,941)	(50)
14,163	Other Revenue	10,793	7,345	(3,448)	(32)
82,095	Total Revenue	79,498	79,117	(380)	(0)

Value Added Tax

Actual VAT revenue collected in the half year ending December 2017 was \$0.45 million below Budget estimate (-1 per cent).

Income Tax

Actual Income Tax revenue collected in the half year ending December 2016 was \$0.45 million below Budget estimate (-4 per cent).

Company Tax

Actual Company tax collected in the half year ending December 2017 was \$2.77 million above the 2017/18 Budget estimate (40 per cent) as a result of steady economic activities and companies making provisional tax payments.

Import Levies

Actual Import levies collected in the half year ending December 2017 was \$1.32 million above the Budget estimate (21 per cent). Increased economic activities has resulted in increased imports.

Withholding Tax

Withholding tax collections were \$0.92 million collected from interests earned on bank deposits. This was not factored into the 2017/18 budget estimate (100 per cent).

Departure Tax

Departure tax collections were \$0.23 million above the 2017/18 Budget estimate (4 per cent).

Table 8
General Government Other Revenue Summary – December 2017 YTD

2016-17		2017-18	2017-18	Variance	
Actual		Budget	Actual	(‘000)	%
(‘000)		(‘000)	(‘000)	(‘000)	
63	FSC Fees	131	59	(72)	(55)
405	Immigration Fees	294	442	149	51
0	IMO Subscription - Maritime CI	33	0	(33)	(100)
17	Court Services	25	25	0	1
20	Instant Fines	10	53	43	427
7,647	Fishing Licences	5,753	2,307	(3,445)	(60)
0	Fisheries Catch Rev	0	255	255	0
928	Fisheries US Treaties	600	636	36	6
1	Research Fees	1	1	0	0
19	Permits	12	11	(1)	(10)
0	Banana Court -Dividends	5	5	0	0
0	Bank of the Cook Islands	124	124	0	0
35	Te Aponga - Dividends	160	160	0	0
0	Extraordinary SOE-Dividends	30	30	0	0
0	Bluesky - Dividends	575	575	0	0
87	Numismatic Revenue	175	58	(117)	(67)
42	Drivers Licenses	35	116	81	231
138	Motor Vehicle Registrations	438	68	(370)	(85)
684	Interest on balances	870	669	(201)	(23)
552	Interest on loans to subsidiaries	367	410	44	12
13	Foreign Investment Fees	13	12	(1)	(7)
182	Upper Air Management Agreement	373	175	(198)	(53)
20	Shipping Reg/Licenses	134	203	69	51
10	Intl Shipping Licenses	5	0	(5)	(100)
5	Liquor Licensing	30	20	(10)	(34)
64	Tattslotto Grants	60	61	1	2
2	Censorship Fees	5	1	(4)	(79)
187	Circulating Currency- Coins	438	326	(111)	(25)
0	Employers Liability	38	0	(38)	(100)
0	Motor Vehicle Dealers	3	0	(3)	(100)
3,000	Gain on Forex	0	454	454	0
43	Other Misc Revenue	60	88	28	46
14,162		10,793	7,345	(3,448)	(32)

Other Crown Revenue was \$3.45 million below the 2017/18 budget estimate (-32 per cent). This was primarily due timing of receipting actual fishing licences revenue as well as motor vehicle registrations where actual revenue is expected to come in towards the second half of the financial year.

Figure 1
Operating Revenue Trends

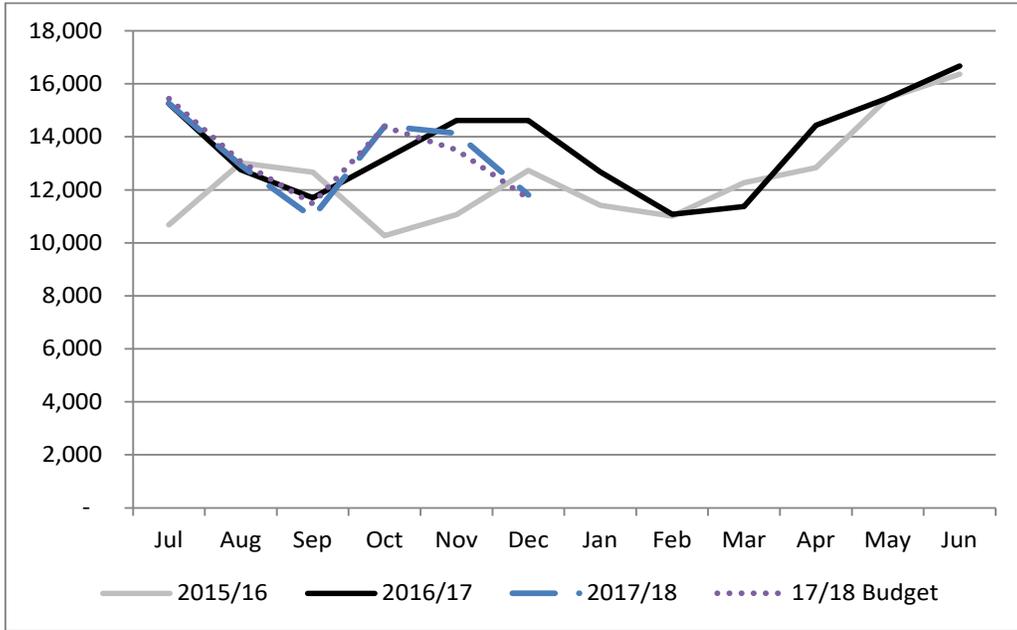


Figure 2 shows the trends over the previous two financial years and against the 2017/18 budget. Actual collections are consistent with budget 2017/18 Budget and prior years.

General Government Expenditure Analysis

Ministries, Agencies & Ministerial Office

Table 9

Ministries, Agencies & Ministerial Office Appropriation Analysis - December 2017 YTD

2016/17		Budget	Actual	Variance	
Actuals		2017/18	2017/18		
('000)		('000)	('000)	('000)	%
21,027	Personnel	23,474	21,183	2,291	10
8,179	Operating	7,664	7,569	95	1
1,307	Depreciation	1,899	2,111	(212)	(11)
(2,752)	Trading Revenue	(1,212)	(1,819)	607	(50)
27,761	Net Appropriation	31,825	29,044	2,781	9

Personnel

Personnel expenditure for December 2017 was \$2.29 million, 10 per cent lower than budget estimate. Vacancies in ministries and agencies have allowed this savings.

Operating

Operating expenditure for December 2017 was \$0.09 million, one per cent lower than budget estimate. 20 Ministries under spent and 12 overspent.

Depreciation

Depreciation expenditure was above budget for December 2017 by \$0.21 million (-11 per cent). Ministry of Police contributed largely to this variance as a result of adjustments to their fixed asset register to account for prior year donated assets.

Trading Revenue

Trading revenue for December 2017 was \$0.61 million, 50 per cent higher than budget estimate. Excess trading revenue was mainly from the Ministry of Finance through its overtime recoveries, followed by Ministry of Justice as a result of increased fees relating to registrations and permits. Of the 16 Ministries with trading revenue, 11 have exceeded and five were under budget estimates.

Pa Enuu (Outer Islands)

Table 10

Pa Enuu (Outer Islands) Appropriation Analysis - December 2017 YTD

2016/17		Budget	Actual	Variance	
Actuals		2017/18	2017/18		
('000)		('000)	('000)	('000)	%
2,810	Personnel	3,128	2,606	522	17
1,085	Operating	1,064	985	79	7
545	Depreciation	533	544	(11)	(2)
(697)	Trading Revenue	(543)	(608)	65	(12)
3,743	Net Appropriation	4,182	3,527	655	16

Personnel

Personnel expenditure for December 2017 was \$0.52 million, 17 per cent, below budget. Out of 10 Islands in total – nine Islands had savings due to unfilled positions.

Operating

Operating expenditure for December 2017 was \$0.08 million, 7 per cent, below budget. Six Islands had savings with Atiu Island unable to purchase supplies due to the unavailability of stock and the transportation from Rarotonga.

Depreciation

Depreciation expenditure for December 2017 was in line with budget estimates.

Trading Revenue

Trading revenue for December 2017 was \$0.07 million, 12 per cent, higher than budget estimates. Six islands exceeded their trading revenue with two islands Mauke and Mangaia having higher revenue attributed to greater hireage of machinery, boating and reefing fees and electricity usage. Four islands did not meet their December 17 budget.

Administered Payments and POBOCs

The administered payment fund was setup as a category of expenditure where government has provided funding to an agency for a particular purpose that directly relates to an output of a Ministry.

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

Table 11
Administered Payments and POBOCs

	2017/18 Budget Estimate ('000)	2017/18 Actual ('000)	Variance ('000)	%
Administered Payments	21,698	16,710	4,989	23
Payment of Behalf of Crown (POBOCs)	14,286	12,063	2,223	16
Total	35,984	28,773	7,211	20

Administered Payments

Administered payments were below budget estimates by 23 per cent (\$4.99 million) primarily due to timing issue against the initial cash flow plan. These includes Public Sector Strengthening under OPM \$0.60 million, Implementation of a water utility for Rarotonga \$0.70 million and \$0.42 million for Special projects units administered by the Cook Islands Investment Corporation.

Also contributed to this was the savings of \$0.61 million from the Air New Zealand underwrite due to increased passengers from the Los Angeles and Sydney routes.

Table 12
Administered Payments – December 2017 YTD

Administering Ministry	Administered Payment	2017/18 Budget Estimate (‘000)	2017/18 Actual (‘000)	Variance (‘000)	%
Compensation of Employees					
Cook Islands Investment Corporation	Infrastructure Committee	38	0	38	100
Cook Islands Investment Corporation	Joint Venture with Seabed Minerals Authority	65	0	65	100
Cook Islands Investment Corporation	Special Projects Units	420	0	420	100
National Environment Service	National Heritage Trust	41	44	(3)	(7)
		160	130	30	19
Finance and Economic Management	Public Sector Strengthening-processes and systems MFEM				
Finance and Economic Management	Tax Amnesty Refund	250	0	250	100
Finance and Economic Management	Salary Adjustment Administered Fund	75	0	75	100
Internal Affairs	Price Tribunal	15	8	7	47
Justice	Project to bring land records up to date	120	75	45	38
Justice	Judges Allowances	89	84	5	6
Public Service Commission	HOM's Salaries	615	617	(2)	(0)
Prime Minister's Office	Public Sector Strengthening	600	0	600	100
Cook Islands Investment Corporation	School Security	125	0	125	100
Transport	Director of Civil Aviation	56	56	0	0
Total Compensation of Employees Administered Payments		2,669	1,014	1,655	62
Use of Goods and Services					
Marine Resources	WCPFC Conference	50	51	(1)	(2)
Cultural Development	Te Maeva Nui Constitution Celebrations	360	339	21	6
Cook Islands Investment Corporation	Provision for Land Rentals	750	740	10	1
Cook Islands Investment Corporation	Land Rent Reviews #	1,016	788	228	22
Finance and Economic Management	HRMIS Tax Amnesty Change	50	53	(3)	(6)
Education	Tertiary Training Institutions	380	384	(4)	(1)
Finance and Economic Management	Audit of Crown Accounts	15	0	15	100
Finance and Economic Management	Border Management System Maintenance	68	0	68	100
Finance and Economic Management	National Superannuation Fund	120	34	86	72
Finance and Economic Management	Standard and Poors Subscription	28	0	28	100
Foreign Affairs	Cook Islands Student Association Support	3	0	3	100
Head Of State	Domestic Hosting Entertainment	8	7	1	13
Head Of State	QR Social Responsibility Fund	8	5	3	38
Health	Hosting of the 2017 Pacific Health Ministers' Meeting #	83	77	6	7
Health	Pharmaceuticals	668	581	87	13
Infrastructure Cook Islands	Outer Islands Equipment Repairs of Unanticipated Breakdowns	100	76	24	24
Infrastructure Cook Islands	Waste Management	273	206	67	25
Internal Affairs	Lease extension	36	36	0	0
Internal Affairs	Vaka Maintenance	200	198	2	1
Parliamentary Services	Pacific Legislatures for Population and Governance (PLPG)	26	26	0	0
Parliamentary Services	Special Select Committee #	73	16	57	78
Cultural Development	Te Kopapa Reo Maori Board	15	6	9	60
Prime Minister's Office	Social Responsibility Fund	243	243	0	0
Prime Minister's Office	Undersea Fiberoptic Cable	18	24	(6)	(33)
Police	Search and Rescue	10	18	(8)	(80)
Police	Serious Crime Investigations	25	23	2	8
Police	Te Kukupa - Fuel Contribution	70	33	37	53
Police	Youth Program	23	1	22	96
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	2,700	2,727	(27)	(1)
Foreign Affairs	Returned Services Association	3	0	3	100
Prime Minister's Office	Community Support Fund	50	45	5	10
Environment	E - Waste & Whitewear Collection	50	0	50	100
Total Use of Goods and Services Administered Payments		7,521	6,737	784	10

December 17

Table 12 (continue)
Administered Payments – December 2017 YTD

Administering Ministry	Administered Payment	2017/18 Budget Estimate (‘000)	2017/18 Actual (‘000)	Variance	
				(‘000)	%
Subsidies					
Education	University of the South Pacific Contribution	142	56	86	61
Finance and Economic Management	Air New Zealand - Subsidies	6,000	5,386	614	10
Finance and Economic Management	Provision for Inter Island Shipping	250	0	250	100
Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Enea	23	0	23	100
Total Subsidies Administered Payments		6,415	5,442	973	15
Social Assistance					
Education	Government Funded Scholarships	455	95	360	79
Health	Patient Referrals	550	550	0	0
Health	Nursing School	117	162	(45)	(38)
Health	NCD Fund	195	126	69	35
Health	Oxygen Plant	15	8	7	47
Internal Affairs	Welfare Payments - Allowances	491	543	(51)	(10)
Justice	Legal Aid	20	0	20	100
Total Social Assistance Administered Payments		1,843	1,484	360	20
Other Expense					
Cook Islands Investment Corporation	Establishment and implementation of a water utility for Rarotonga	700	0	700	100
Education	Private School Funding	1,074	1,191	(117)	(11)
Marine Resources	Fisheries Development Facility	100	113	(13)	(13)
Marine Resources	Fisheries Development Facility in the Pa Enea	50	18	32	64
Internal Affairs	CISNOC Grant	220	220	0	0
Internal Affairs	SIF - Cook Islands Government Contribution	881	484	397	45
Finance and Economic Management	2017 Baseline Funding for Conduct of the National Census	0	7	(7)	
Finance and Economic Management	Conduct of a Labour Force Survey	50	0	50	100
Finance and Economic Management	Production of new currency, transportation and sale of old coins	175	0	175	100
Other Expenses Administered Payments		3,250	2,033	1,217	37
Grand Total		21,698	16,710	4,989	23

- Expenditure line items that received either an approved carry forward from previous financial year(s) or through an Executive Council order.

Payments On Behalf of Crown (POBOC)

The overall saving in POBOC expenditure of 16 per cent (\$2.22 million) was mainly attributed to the saving in International Subscription of \$0.30 million, Welfare payment of \$0.29 million and Apex-Profit Guarantee payment of \$0.18 million.

The saving identified are largely due to timing with the actual payment expected to come in towards the second half of the financial year.

Table 13
Payments on Behalf of Crown – December 2017 YTD

Administering Ministry	POBOC	2017/18	2017/18	Variance	
		Budget Estimate ('000)	Actual ('000)	('000)	%
Compensation of Employees					
Finance and Economic Management	Parliamentary Superannuation	90	52	38	42
Audit (PERCA)	PERC Salaries and Administration Costs	22	18	4	18
Parliamentary Services	Civil List - Personnel	2,011	1,053	958	48
Parliamentary Services	House of Ariki	178	132	46	26
Total Compensation of Employees POBOCs		2,301	1,255	1,046	45
Use of Goods and Services					
Audit (PERCA)	Audit Fees	48	0	48	100
Justice	General Elections, Petitions and By-Elections	0	1	(1)	(100)
Parliamentary Services	Civil List - Constituency Visits	85	33	52	61
Parliamentary Services	Parliamentary Sitting Expenses	60	46	14	23
Parliamentary Services	MP Travel and Allowances (local and overseas) #	222	178	44	20
Parliamentary Services	QR Travel and Allowances (local and overseas)	109	85	24	22
Foreign Affairs	IMO - Maritime Cook Islands	32	0	32	100
Total Use of Goods and Services POBOCs		556	343	213	38
Subsidies					
Finance and Economic Management	Apex - Profit Guarantee	750	569	181	24
Cook Islands Investment Corporation	BCI - social assistance subsidy	60	0	60	100
Cook Islands Investment Corporation	Airport Authority subsidy	1,024	853	171	17
Cook Islands Investment Corporation	Ports Authority - subsidy	55	0	55	100
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	190	0	190	100
Total Subsidies POBOCs		2,079	1,422	657	32
Social Assistance					
Internal Affairs	Welfare Payments	8,677	8,730	(53)	(1)
Total Social Assistance POBOCs		8,677	8,730	(53)	(1)
Other Expense					
Finance and Economic Management	Pacific Catastrophe Risk Insurance	60	0	60	100
Finance and Economic Management	CICC - Training Center Construction Grant	300	300	0	0
Foreign Affairs	International Subscriptions	313	13	300	96
Total Other Expenses POBOCs		673	313	360	53
Grand Total		14,286	12,063	2,223	16

- Expenditure line items that received either an approved carry forward from previous financial year(s) or through an Executive Council order.

Other General Government Operating Expenditure

Table 14
Other General Government Operating Expenditure

Actual YTD 2016/17	Category of Expense	Budget Estimates 2017/18	Actual YTD 2017/18	Variance	
('000)		('000)	('000)	('000)	%
184	Contingency Funds - Operating	50	84	(34)	(67)
1,841	Crown Infrastructure Depreciation	2,301	2,301	0	0
302	Transfer to Emergency Response Trust Fund	25	25	0	0
274	Transfer to Reserve Trust Fund	296	296	0	0
1,181	Depreciation Contingency Reserve	1,979	223	1,756	89
1,153	Debt Servicing Interest	1,031	1,494	(462)	(45)
0	Foreign Exchange (Gain)/Loss	0	2,632	(2,632)	0
0	Other	0	3	(3)	0
4,935	Total Other Expenses	5,683	7,058	(1,375)	(24)

Other operating costs for the General Government sector are 24 per cent above budget. Debt servicing interest and realised and unrealised foreign exchange movements in cash deposits and foreign borrowings contributed to this variance.

Figure 2
Net Operating Expenditure Trends

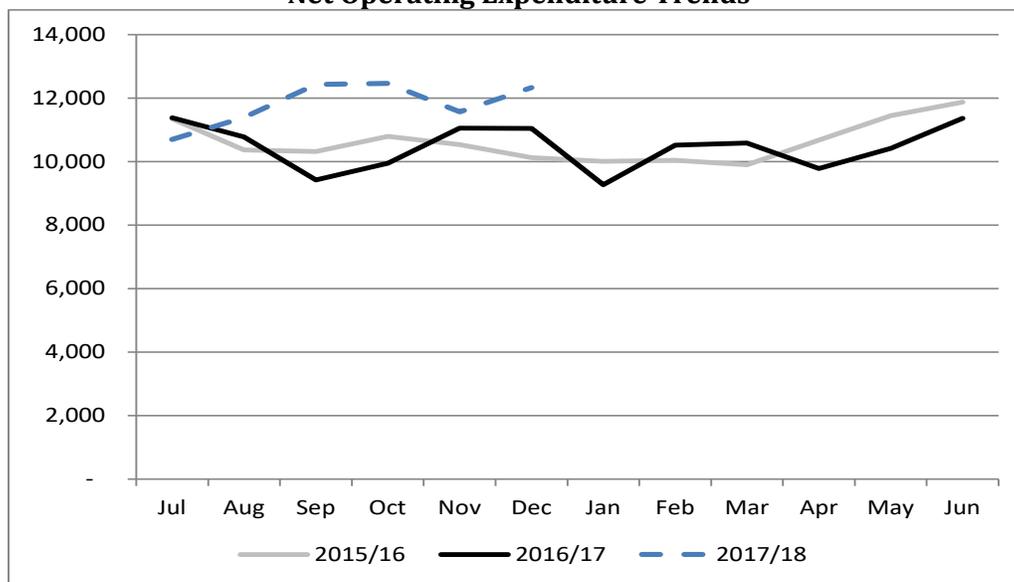


Figure 3 shows the trends over the previous two financial years. Current trend reflecting higher expenditure compared to prior years as result of increased Government spending as approved by the 2017/18 Budget Appropriation.

Capital Expenditure

Table 15
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2017/18	2017/18	2017/18	Variance	
		Approval #	Budget	Actual	('000)	%
		('000)	('000)	('000)	('000)	%
AITUTAKI ISLAND GOVERNMENT						
Aitutaki	Aitutaki road sealing	512	180	651	41	6
		512	180	651	41	6
AGRICULTURE						
Rarotonga	Vanilla Shade House	0	50	0	50	100
		0	50	0	50	100
COOK ISLANDS INVESTMENT CORPORATION						
Rarotonga	Apii Nikao design, demolition, construction supervision and quality assurance	0	150	0	150	100
Aitutaki	Orongo Development Master Plan and Centre reconstruction (Ports Authority)	0	125	0	125	100
Rarotonga	Vaikapuangi Government Building - design	0	225	0	225	100
Rarotonga	Tereora College Stage 1 Works	240	1,462	1,446	256	15
Rarotonga	Te Mato Vai - Stage 1: road & pipeline easement & Stage 2 land acquisition for water intakes	1,250	0	0	1,250	100
Pukapuka	Pukapuka Hospital	500	0	0	500	100
Pukapuka	Government House Pukapuka	21	0	0	21	100
Rarotonga	Repairs TSA, Police and Justice building	340	0	0	340	100
Rarotonga	Arenikau Water Storage tank	0	158	0	158	100
		2,351	2,120	1,446	3,025	68
EDUCATION						
National	Fund to be Prioritised by Education	0	180	12	168	93
		0	180	12	168	93
HEALTH						
National	Fund to be Prioritised for Technical Equipment	32	275	198	109	40
Rarotonga	Medical Service Bed End Panels	50	155	21	184	119
Rarotonga	Hospital Incinerator	0	125	0	125	100
Rarotonga	Ambulance	0	75	2	73	98
		82	630	221	491	69
INTERNAL AFFAIRS						
Rarotonga	Vaka Maintenance Capital Projects	0	25	0	25	100
		0	25	0	25	100
MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT						
National	Banking payments system	0	318	0	318	100
Rarotonga	FMIS purchase and implementation	0	210	6	204	97
Rarotonga	AEOI IT System	0	250	10	240	96
Rarotonga	Water & Sanitation Programme (WASP)	0	1,040	94	947	91
Rarotonga	Te Mato Vai - Management Fee	22	0	0	22	0
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	0	6,500	680	5,820	90
		22	8,318	791	7,549	91
JUSTICE						
National	Online business registry	0	100	0	100	100
		0	100	0	100	100

Table 15 (continue)
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2017/18	2017/18	2017/18	Variance	
		Approval #	Budget	Actual	(000)	%
		(000)	(000)	(000)	(000)	
INFRASTRUCTURE COOK ISLANDS						
Atiu	Atiu Airport Runway Stabilisation	27	214	73	167	78
Atiu	Atiu Road Sealing	15	121	0	136	112
Aitutaki	Establishing new water galleries	0	234	6	228	97
National	Bitumen Truck	167	50	98	119	238
Rarotonga	Bridges & Drainage	3	675	110	568	84
Rarotonga	Muri Road Widening	24	0	2	22	0
Mangaia and Palmerston	Cargo barge repair program	106	0	13	93	0
Various	Outboard Motor replacement program	0	0	0	0	0
Various	Cyclone Centre Program	0	195	17	178	91
Rarotonga	Avatiu Valley Stream embankment	359	18	0	377	2,094
Rarotonga	Rarotonga Road Sealing Programme	353	1,000	483	869	87
Mangaia	Mangaia Road Sealing	0	248	28	220	89
Mangaia, Atiu, Mauke	HV Transport Trailer	106	0	71	35	0
Mangaia	HIAB (includes man cage & fork)	109	0	149	(41)	0
Mangaia	Central water project	12	0	11	1	0
Mangaia	Tamarua Water Project	0	125	7	118	95
Manihiki	Airport Terminal - construction	56	0	38	18	0
Manihiki	Lagoon	0	75	6	69	91
Mitiaro	Manea Games Upgrade	23	0	21	2	0
Mitiaro	Water Upgrade	0	124	54	70	56
Penrhyn	Omoka Harbour Upgrade	0	125	0	125	100
Pukapuka	Upgrade of Airport terminal buildings	0	122	65	57	47
Pukapuka	Yato Cargo Shed Upgrade	8	0	7	1	0
Rakahanga	Large boat & outboard motor	84	0	74	10	0
Rakahanga	Rakahanga Cyclone Center	0	275	0	275	100
Pa Enea	Pa Enea Machinery Shelters	43	0	25	18	0
Rarotonga	Road Network Maintenance	3	315	305	13	4
Rarotonga	Rutaki Foreshore Rock Revetment	120	0	34	86	0
Rarotonga	Tip Truck	0	50	0	50	100
Rarotonga	TMV Titikaveka backroad ringmain pipeline	127	0	0	127	0
Rarotonga	Water Network Maintenance	32	250	169	113	45
		1,775	4,215	1,865	4,125	69
OFFICE OF THE PRIME MINISTER						
Atiu	Atiu Power Distribution	0	330	121	209	63
Aitutaki	Aitutaki Renewable Energy	0	1,400	0	1,400	100
Pa Enea	Renewable Energy - Capital works	10,948	0	4,765	6,183	0
National	Government IT Network	0	40	24	16	39
National	Manatua Polynesian Cable (Loan Component)	0	0	0	0	0
National	Renewable Management Project Management and Support	0	125	69	56	45
		10,948	1,895	4,979	7,864	61
ADMINISTERED BY MFEM						
National	Capital Funds Administered by MFEM	0	255	(3)	258	101
National	Capital Distribution Fund	0	200	0	200	100
Pa Enea	Outer Islands Small Capital Fund	0	55	15	40	74
		0	510	11	539	106
GRAND TOTAL		15,690	18,222	9,975	23,977	71

- 2017/18 Approval relates to either an Approved carry forward from previous financial year(s) or through an Executive Council order.

Spending on capital expenditure were below budget estimate by 54 per cent (\$8.25 million), however with the additional funding carried forward from previous financial years, the variance increased to 71 per cent as reported above.

The variance was mainly due to timing of spending and the ability to contract for services to date.

Capital projects Te Mato Vai (below \$5.82 million) stage two has been hindered by land matters which further delayed the progress. McConnell Dowell construction is due to commence later in the second half of the financial year and anticipation of expenditure will be in line with budget estimates.

Further comments will be included in the next quarterly report on the performance of the capital plan against budget implementation.

Crown Borrowings

The total gross borrowing at December 2017 was \$100.85 million, an increase of \$5.72 million from the September 2017 quarter (Table 16) due mainly to the drawdown of the Renewable Energy Project Loan.

General Government Net Borrowings

General Government net borrowings at December 2017 quarter was \$62.31 million, a \$6.03 million increase from the September 2017 quarter. This increase was primarily a result of drawing down of the Renewable Energy Project Loan of \$4.81 million followed by the unfavourable movement in exchange rates against the New Zealand dollar (NZD) of \$1.53 million.

Offsetting this was the principal repayments of \$0.75 million that was made during the December 17 quarter.

Table 16
Average Exchange Rates Used

FOREX	30-Sep-17	31-Dec-17	
Currency	Average	Average	Net Change
EUR	0.6127	0.5942	(0.019)
USD	0.7221	0.7097	(0.012)
CNY	4.8164	4.6381	(0.178)
SDR	0.5109	0.4983	(0.013)

The New Zealand dollar weakened against all major trading currencies. This resulted in a revaluation upward of total borrowing by \$1.53 million.

Figure 3
Composition of Crown Debt by Currency

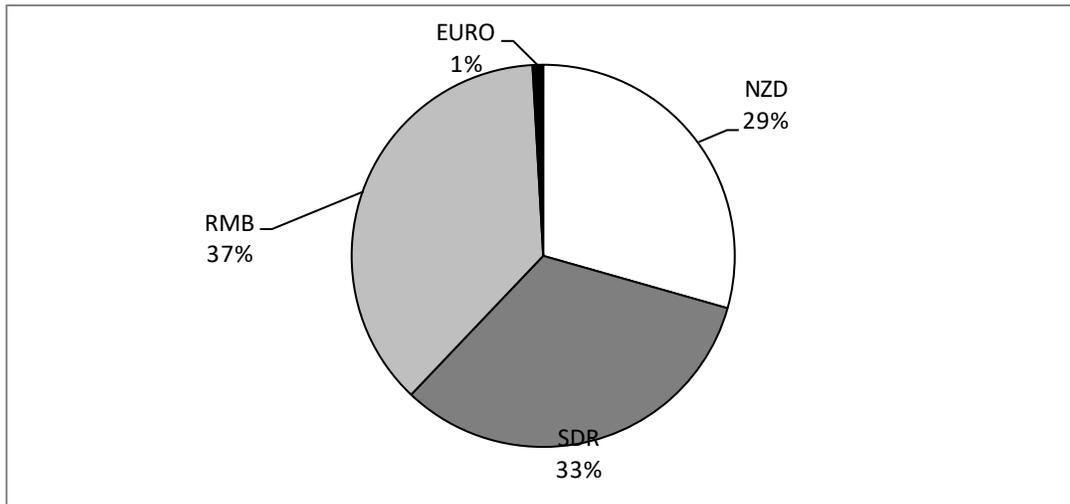


Table 17
Crown Borrowings – December 2017 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	Sept 2017 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	Dec 2017 Balance ('000)	Change Sept 17 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	835	0	26	0	861	26
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	10,362	(459)	389	0	10,292	(70)
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	24,438	0	939	0	25,377	939
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	316	0	0	0	316	0
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	385	(37)	1	0	349	(36)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	1,596	0	10	0	1,606	10
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	3,964	0	26	0	3,990	26
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,045	(36)	8	0	1,017	(28)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	361	(12)	3	0	352	(9)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	399	0	3	0	402	3
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,439	0	17	0	2,456	17
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,086	0	16	0	2,102	16
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,316	0	29	439	4,784	468
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	809	(11)	16	0	814	5
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,100	(69)	20	0	2,051	(49)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,392	(35)	27	0	3,384	(8)
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,380	(117)	0	0	9,263	(117)
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	7,421	(197)	52	0	7,276	(145)
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,184	(51)	0	0	5,133	(51)
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	6,042	0	0	0	6,042	0
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	7,035	0	0	0	7,035	0
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	1,224	(89)	0	4,808	5,943	4,719
Total Gross Borrowings					95,129	(1,113)	1,582	5,247	100,845	5,716
Less Loan Reserve					16,866	0	0	0	16,866	0
Net Borrowing by the Crown					78,263	(1,113)	1,582	5,247	83,979	5,716
Less Avatiu Port Development					21,985	(365)	52	0	21,672	(313)
Net Borrowing by the General Government					56,278	(748)	1,530	5,247	62,307	6,029

Official Development Assistance (ODA)

Official Development Assistance was appropriated at the total value of \$77.76 million in the 2017/18 Budget. This value includes the Core Sector Support Grant Funding Arrangement with New Zealand with outputs 1 - 3 treated as Revenue on behalf of the Crown (ROBOC) through Treasury and distributed to core ministries (Education, Health and Tourism).

There are 11 programme/projects implementing agencies for 55 current ODA programme as stated in the Budget Appropriations FY2017/18.

The following are key monitoring outcomes for December Quarter 2017. Total spend illustrates programme/project expenditures from July 2017 to December 2017. ODA spends is estimated at \$36.53 million, predominately driven by Apii Nikao, Chinese building refurbishments and Te Mato Vai. This is the highest ODA spend at 47% when compared to the same period over previous years.

Table 18
Cook Islands Official Development Assistance (ODA) December 2017

FY2017/18 ODA Budget less Direct Budget Support (NZ\$'000)	69,392
FY2017/18 Core Sector Support (NZ\$'000)	7,766
FY2017/18 Performance Based Budget Support – Bonus Payment (NZ\$'000)	604
FY2017/18 Total ODA Budget (NZ\$'000)	77,762
FY2017/18 ODA estimated actual spend (NZ\$'000)	36,527
ODA Conversion Rate December 2017 (%)	47 per cent
Number Current Overseas Development Partners	28
Approved Third Party Programmes/Projects	19
Cook Islands Government Budget Support	2
Approved Grants including Small Grants	34

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

ODA GRADUATION

In July 2017, the OECD agreed to provide the Cook Islands until the end of 2018 to develop GNI data. Since this time, the National Statistics Office of the Ministry of Finance and Economic Management (MFEM) has been working closely with New Zealand MFAT, the International Monetary Fund's Pacific Financial and Technical Assistance Centre (PFTAC) on the development of this data.

Revisions are being made to the Cook Islands GDP (economic growth may not have been as accurate to original government reports), in addition to outflows been identified, these suggest that GNI will be lower than GDP. Therefore, it is possible that the Cook Islands will not graduate. Greater work is required over the next 12 months to determine the level of the Cook Islands' economic development.

Furthermore, there is currently work being done on the Cook Islands economic data and the Cook Islands Government is undertaking an analysis on the sectors that would be affected in the event of graduation to inform a possible transition plan in the event of graduation.

TE TARAI VAKA (TTV) ACTIVITY MANAGEMENT SYSTEM REVIEW

The TTV objective is to streamline and provide a transparent process for activity (programme/project) management in the Cook Islands. The TTV reference group was excellent for providing guidance to simplify the new activity management system.

The main impact of this activity has been the promotion of using the system through user consultations during the review phase, delivering user training, and fostering interest and ownership of the system through convening a TTV Reference Group consisting of key stakeholders: Development Coordination Division (DCD), Office of the Prime Minister (OPM), Cook Islands Investment Corporation (CIIC), Office of the Public Service (OPSC), Infrastructure Cook Islands (ICI), & Budget Division-MFEM.

Next steps are to clarify national approval mechanisms for ODA to be led by Budget Division-MFEM, OPM and OPSC for recognition in the TTV. Finalising the review of the Environmental and Social Safeguards is work in progress under the Green Climate Fund TA with an expectation for this work to be finalised in the March Quarter 2018.

Training of key users have started with DCD staff and the planning is in progress for training other key TTV users outside of DCD in March 2018. Use of new TTV guides and templates are underway with the launching of these documents on the website as the final steps for this work.

GREEN CLIMATE FUND (GCF)

The Green Climate Fund has launched a new Simplified Approval Process (SAP) which is aimed for smaller scale projects or programmes up to US\$10,000,000 per project. The Cook Islands are in the process of developing two SAP concept note proposal documents with one developed by the NDA and submitted to GCF Secretariat review and comments. The second SAP is in draft process in collaboration with accredited GCF regional implementing

APII NIKAO CONSTRUCTION

The construction of the Apii Nikao School project has evolved significantly since construction start in May 2017. With funding confirmed by the Peoples Republic of China back in 2015, and designs finalized in March 2017, the project is still targeted for completion within the 3rd quarter with an estimated cost of \$14m

CIIC continues to provide up to date project progress on the Facebook page [Apii Nikao Rebuild Project](#)

CHINA BUILDING REPAIRS

The renovations projects are for public buildings in Rarotonga namely the Indoor Sports Arena, Ministry of Justice, and Police Headquarters.

The Implementation Agreement for this project was finalized and signed in October 2017. Grant Funding Agreement was signed on 07 December 2017, by the Government of the Cook Islands and Peoples Republic of China Government for CNY¥30,000,000, to fund the renovations project. Renovations project is scheduled to start in the last quarter of FY2017/18.

NATIONAL TEREORA COLLEGE REDEVELOPMENT PHASE 1

Practical completion for the construction of the new buildings and furnishing occurred in time for handover to Tereora College in December 2017 as planned. Civil works were completed before start of the 2018 school year including the construction of concrete pathways and earth works for new access road along the school's western boundary, Funding of \$10.8m was provided by New Zealand for the redevelopment.

TE MATO VAI (TMV)

The purpose of the Te Mato Vai project is to replace Rarotonga's aging water network, improve storage and introduce treatment to provide our people with clean and reliable drinking water. The following are project activities progress to date:

Stage 1 Rarotonga water ring mains construction works:

- Overseas based contractor CCECC Ltd completed in December 2016
- Commissioning Contract - The wider stage 1 commissioning contract was awarded to Land Holdings Ltd, where they will connect the new ring mains to the existing sub mains. Planned start date is early January 2018, with the DCD-MFEM Project Management Unit (PMU) supervising this work.

Stage 2 works contract:

Landowners meetings are an ongoing process, as the Cook Islands Government works toward obtaining consent from landowners to enable site preparations and construction by overseas based contractor McConnell Dowell Ltd. Overseas based contractor McConnell Dowell Ltd was awarded the Stage 2 Contract, it is currently undergoing land surveys and ground investigations hoping for Stage 2 Construction to be underway by 2018.

MEI TE VAI KI TE VAI (MTVKTV)

The purpose of the Mei Te Vai Ki Te Vai Project is to improve the water quality of the lagoons in Rarotonga and Aitutaki for the benefit of our health, environment and economy. The following are project activities progress to date:

Project Activity	December Quarter 2017 Progress
Master plan and road Map	Work is in progress towards January 2018 release of a draft master plan for the safe collection, treatment and disposal of domestic and commercial wastewater on Rarotonga and Aitutaki.
Environmental investigations and monitoring	<p>This is to establish a firm scientific and environmental understanding of the current situation to ensure that the final technical options developed are robust and can be clearly justified.</p> <p>Preliminary investigations were completed to inform areas for main investigations. The main investigations are currently underway which includes drilling boreholes and installing groundwater monitoring wells, some temporary and some permanent.</p>

Wastewater Infrastructure	<p>Designs are in progress for wastewater infrastructure, specifically a Muri/Avana area reticulation system with replication of this system in all other parts of Rarotonga. The purpose of the reticulation system is to collect wastewater (from toilets, sinks and other drains) from properties and feed it into a network of pipes, pump stations and other infrastructure to transport it to a single point (off-site). This will help to better treatment of wastewater on a larger scale and reduce the likelihood of overwhelming amounts of nutrients in the soil.</p>
Muri Wastewater concept design	<p>Conceptual design work has been undertaken to assist in informing the community on the technical solutions that are being considered. Workshops and consultations with the public are underway, where options concerning the disposal of the treated effluent generated from the reticulation system. One which includes land treatment and the other disposal through an outfall beyond the reef.</p> <p>Cost estimates, environmental and engineering information will go into the Concept Design report, together with a summary of community feedback</p>
Early Mitigation	<p>Among the early mitigation measures considered to alleviate the deteriorating condition of the lagoon water quality. Proposed Dredging of sediment from the mouth of Are mango stream, in order to improve flushing in the lagoon and reducing the favourable conditions for algae growth.</p>
Establishment of a Water and Wastewater Authority	<p>The Statement of Intent discussion paper produced is the most recent progress to date on the establishment of the water and wastewater authority. The paper documented the process and consultations to date and the proposed analytical framework for its establishment.</p> <p>To date, CIIC has established the legal entity for the Authority and is now in the process of appointing a board of directors and the recruitment of a CEO for this new state owned enterprise.</p>

State Owned Entities (SOEs)

The table below consolidates the December 2017 performances of Cook Islands Investment Corporation (CIIC), Airport Authority, Bank of the Cook Islands, Ports Authority and Te Aponga Uira.

Table 18
SOEs Appropriation Analysis – December 2017 YTD

2016/17	Budget	Actuals	Variance	
Actuals	2017/18	2017/18		
('000)	('000)	('000)	('000)	%
4,997 Personnel	6,035	4,949	1,086	18
12,360 Operating	13,316	11,785	1,531	11
3,474 Depreciation	3,804	3,623	180	5
(21,435) Trading Revenue	(21,784)	(21,994)	(209)	1
(604) Net Activity Cost (Surplus)	1,371	(1,636)	2,588	35

Overall savings in operations by SOE's has attributed to the favourable variance of \$2.59 million at the end of the reporting period, contributing to this also was the higher trading revenue against budget by TAU, Airport Authority and Ports.

BCI's trading revenue was lower than budget by \$0.31 million. This was a result of the loan portfolio growth being lower than budget estimates resulting in lower than budgeted interest income levels. Lending fee income was also tracking below budget.