



Cook Islands Government

Quarterly Financial Report

March 2018

Prepared by the Ministry of Finance and Economic Management
www.mfem.gov.ck

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Introduction

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

References to '2017/18 Addition Funding Approval' used in this report relates to either an approved carry forward from previous financial year(s) or funding approved through an Executive Council order.

The statements have been consolidated to General Government level, State Owned Enterprises (SOE's) are reported separately in later sections of this report.

Key Points

The net operating balance of the General Government sector for the period ending 31 March 2018 was a surplus of \$26.19 million.

- Operating revenue was \$130.74 million and;
- Operating expenditure was \$104.55 million.

Table 1
Net Operating Balance General Government – March 2018

2016/17 Actual		2017/18	2017/18	2017/2018	2017/18	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - 3 Qtr	Actual 3 Qtr	('000)	%
		('000)	('000)	('000)	('000)	('000)	('000)	
117,214	Operating Revenue	154,534	0	154,534	113,002	130,740	17,739	16
93,973	Operating Expenditure	150,332	2,200	152,532	111,278	104,546	6,731	6
23,241	Net Operating Balance	4,202	2,200	2,003	1,724	26,194	24,470	1,419

The overall fiscal balance of \$17.71 million (*Table 2*) adjusts the Net Operating Balance for the effects of depreciation and capital expenditure.

Table 2
Fiscal Balance of General Government – March 2018

2016/17 Actual		2017/18	2017/18	2017/2018	2017/18	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - 3 Qtr	Actual 3 Qtr	('000)	%
		('000)			('000)	('000)	('000)	
23,241	Net Operating Balance	4,202	2,200	2,003	1,724	26,194	24,470	1,419
2,762	Add Crown Depreciation	4,603	0	4,603	3,452	3,452	0	0
1,882	Add Ministry Depreciation	3,161	0	3,161	2,065	2,424	359	17
881	Add Pa Enea Depreciation	1,124	0	1,124	817	864	47	6
7,050	Less Capital Expenditure - CI Govt Funded	44,904	15,690	60,595	41,691	15,227	26,464	63
21,716	Fiscal Balance	(31,815)	17,890	(49,705)	(33,633)	17,707	51,340	(153)

- Total revenue collections for the period ending March 2017/18 were above Budget estimates primarily as a result of greater taxation collection.
- Total operating expenses for the period ending March 2017/18 were lower than Budget estimates largely attributed to lower expenditure of Administered Payments (\$6.22 million) and Ministry/ Pa Enea expenditure (\$1.58 million).
- Spending on Capital Expenditure were well below estimates (\$26.46 million) due mainly to scheduling.

Summary of the Financial Performance of the General Government

The net operating surplus of the General Government sector for March 2018 quarter was \$26.19 million, representing an increase of \$24.47 million on the 2017/18 Budget estimates for the same period.

Overall, revenue was \$17.74 million higher than the 2017/18 Budget estimates and operating expenditure was lower by \$6.73 million compared to the 2017/18 Budget estimates for the reporting period.

Table 3
Net Operating Balance as at 31 March 2018

2016-17 Actual ('000)	2017/18 Budget Estimate - Full Year ('000)	2017/18 Additional Funding Approval ('000)	2017/2018 Total Budget & Approval ('000)	2017/18 Budget Estimate - 3 Qtr ('000)	2017/18 Actual 3 Qtr ('000)	Variance ('000)
<u>Operating Revenue</u>						
91,620 Taxation Revenue	118,409	0	118,409	88,782	103,993	15,211
18,367 Other Revenue	22,190	0	22,190	15,711	18,496	2,785
5,350 Trading Revenue	6,169	0	6,169	2,684	3,608	924
1,877 Higher Modality Partnership NZ	0	0	0	0	0	0
0 Core Sector Support	7,766	0	7,766	5,825	4,643	(1,182)
117,214 Total Operating Revenue	154,534	0	154,534	113,002	130,740	17,739
<u>Operating Expenditure</u>						
49,756 Ministry/ Pa Enuā Expenditure	76,282	0	76,282	52,342	50,766	1,576
18,183 Administered Payments	37,565	1,476	39,042	30,623	24,408	6,215
17,840 Payments on Behalf of the Crown	25,120	243	25,362	19,307	18,581	726
8,193 Other expenses and Financing Transactions	11,365	481	11,846	9,005	10,791	(1,786)
93,973 Total Operating Expenditure	150,332	2,200	152,532	111,278	104,546	6,731
23,241 Net Operating Balance	4,202	2,200	2,003	1,724	26,194	24,470

Summary of the Financial Position of the General Government

The Financial Position as at 31 March 2018 for General Government is consolidated by adding like items of assets, liabilities and equity on a line by line basis. The effect of all material inter-government transactions and balances are eliminated on consolidation.

Table 4
Consolidated Financial Position as at 31 March 2018

	2017/18 Actual \$ ('000)	2016/17 Actual \$ ('000)
Current Assets		
Cash and Term Deposits (Table 5)	132,866	115,910
Debtors and Other Receivables	8,713	5,108
Tax Receivables	30,589	31,616
Inventory	1,617	1,850
Advances to SOEs	28,026	28,375
Non Current Assets		
Fixed Assets	110,236	100,838
Total Assets	312,047	283,697
Current Liabilities		
Creditors and Other Payables	15,409	17,392
Trust Liabilities	15,524	17,178
Non Current Liabilities		
Crown Debt	100,037	94,244
Total Liabilities	130,970	128,814
Net Assets	181,077	154,883
General Government Balance	181,077	154,883

The statement of financial position includes unaudited financial information from ministries, other Crown agencies and the outer islands.

Table 5
Cash and Term Deposits as at 31 March 2018

	2017/18 Actual \$ ('000)	2016/17 Actual \$ ('000)
Cash and Cash Equivalents	20,470	18,904
Term Deposits	97,445	79,828
Trust Account	14,951	17,178
Total Cash and Term Deposits	132,866	115,910
Represented by:		
Cash Reserves - Table 6	112,206	85,555
Ministry/Agency and Outer Islands		
Operational Accounts	8,087	7,963
Aid Trusts Accounts	8,466	10,209
Land Trust Account	1,883	1,562
Law Trust Accounts	278	0
Other Trust Accounts	1,946	10,621
Total	132,866	115,910

General Government Cash Reserves

General Government cash reserve are unencumbered cash held by the general government that are not tagged to any particular appropriation.

General Government cash reserve as at March 2018 were \$79.45 million, an increase of \$18.04 million from December 2017. Table 6 below illustrates Crown cash reserves consisting of term deposits and operational accounts.

Table 6
Cash Reserves – March 2018 YTD

	Dec 17 Qtr (‘000)	March 18 Qtr (‘000)	Change Dec 17 Qtr (‘000)
Term Deposit at the Bank			
BSP	7,878	26,369	18,491
ANZ	58,428	60,299	1,871
BCI	10,995	13,995	3,000
Total Term Deposit at the Bank	77,301	100,663	23,362
Operational Capital - Public account	14,032	11,543	(2489)
Total Cash Reserve	91,333	112,206	20,873
Committed:			
Trust Fund General Reserve	2,911	2,911	0
Disaster Response Trust ¹	1,716	1,716	0
Loan Repayment Fund ²	18,631	21,461	2,830
Trust Account Deposit ³	3,172	3,172	0
Carry Forward Contingency – OPEX ⁴	500	500	0
Working Capital ⁵	3,000	3,000	0
Total Commitment for this year	29,930	32,760	2,830
Estimated General Cash Reserve	61,403	79,446	18,043

The estimated general cash reserve at the end of the March 2018 quarter does not include \$8.09 million that are held with Ministries, other Crown agencies and the Outer Islands.

The increase in cash of \$18.04 million on the December 2017 quarter was a result of the inclusion of Government’s foreign currency accounts (\$USD 12.45 million) that were not captured during the last quarterly report.

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 7

Section 70(3) (b) (i) - Calculation	('000)
Total Government Appropriation 2017/18	273,247
Excess (1.5%) of Total Appropriation	4,099
<i>less:</i> Approved expenditure for the March18 Quarter	3,260
<i>less:</i> Approved expenditure subsequent to March18	501
Total Balance	338

The fiscal space available to be expended over and above the 2017/18 budget appropriation is \$0.34 million, the general government sector has committed \$3.76 million out of the \$4.10 million allocation.

Table 8

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
Punanga Nui Sealing project	275
Top up contingency fund	100
Total as at 31 March 2018	3,260

The following Executive Orders under Section 70(3) (b) (i) were approved subsequent to March 2018:

Approved Executive Orders under Section 70(3) (b) (i)-Subsequent	('000)
Civil List Personnel	23
MP travel and allowance top up	107
St Marys Arbitration Case	354
Minister Turepu - Attendance to 34th FAO conference in Fiji	2
Minister Brown Travel to Palau and Manila	15
Total after 31 March 2018	501

General Government Revenue Analysis

General Government sector revenue as at 31 March 2018 was higher than budget estimate by \$17.74 million.

Table 9
General Government Revenue Summary – March 2018 YTD

2016-17 Actual		2017/18 Budget Estimate - Full Year	2017/18 Additional Funding Approval	2017/2018 Total Budget & Approval	2017/18 Budget Estimate - 3 Qtr	2017/18 Actual 3 Qtr	Variance (‘000)	%
(‘000)		(‘000)	(‘000)	(‘000)	(‘000)	(‘000)	(‘000)	%
44,499	Value-added Tax	58,745	0	58,745	44,608	46,131	1,523	3
17,709	Income Tax	23,057	0	23,057	17,996	21,224	3,228	18
9,381	Company Tax	12,900	0	12,900	8,991	15,720	6,729	75
10,825	Import Levies	13,548	0	13,548	9,571	11,317	1,746	18
1,438	Withholding Tax	0	0	0	0	1,365	1,365	100
7,768	Departure Tax	10,159	0	10,159	7,616	8,236	620	8
91,620	Total Taxation Revenue	118,409	0	118,409	88,782	103,993	15,211	223
5,350	Trading Revenue	6,169	0	6,169	2,684	3,608	924	34
1,877	Higher Modality Partnership NZ	0	0	0	0	0	0	0
0	Core Sector Support	7,766	0	7,766	5,825	4,643	(1,182)	(20)
18,367	Other Revenue	22,190	0	22,190	15,711	18,496	2,785	18
117,214	Total Revenue	154,534	0	154,534	113,002	130,740	17,739	16

Value Added Tax

Actual Value Added Tax revenue collected for the quarter ended March 2018 was \$1.52 million above Budget estimate (3 per cent), as a result of increased economic activities evident by the increased visitor numbers.

Income Tax

Actual Income Tax revenue collected in the quarter ended March 2018 was \$3.23 million above Budget estimate (18 per cent) as a result of tax collected as part of tax amnesty.

Company Tax

Actual Company Tax collected in the quarter ended March 2018 was \$6.73 million above Budget estimate (75 per cent). The additional tax collected was part of tax amnesty.

Import Levies

Actual import levies collected in the quarter ended March 2018 was \$1.75 million above Budget (18 per cent). Increased economic activities resulted in increased imports.

Withholding Tax

Withholding tax collections were \$1.37 million (100 per cent) collected from interests earned on bank deposits. This was not factored into the 2017/18 Budget estimate.

Departure Tax

Departure tax collections were \$0.62 million above Budget estimate (8 per cent). Visitors to the Cook Islands were higher than anticipated and this resulted an increased number of departures.

Core Sector Support

The Core Sector funding are dispersed through the Cook Islands Government for key sectors such as education, health and tourism as well as targeting the strengthening of public financial management and institutions. \$4.64 million were remitted as the first tranche from the Official Development Assistance (ODA)

fund towards core sector support for the period ending March 18. The second tranche of the remaining fund will be remitted at the last quarter of 2018.

Table 10
General Government Other Revenue Summary – March 2018 YTD

2016-17 Actual		2017/18 Budget Estimate - Full Year	2017/18 Additional Funding Approval	2017/2018 Total Budget & Approval	2017/18 Budget Estimate - 3 Qtr	2017/18 Actual 3 Qtr	Variance	
('000)		('000)	('000)	('000)	('000)	('000)	('000)	%
134	FSC Fees	262	0	262	197	128	(69)	(35)
653	Immigration Fees	587	0	587	440	666	226	51
0	IMO Subscription - Maritime CI	66	0	66	50	90	40	80
25	Court Services	50	0	50	38	37	(1)	(3)
36	Instant Fines	20	0	20	15	92	77	513
10,010	Fishing Licences	11,505	0	11,505	8,629	6,954	(1,675)	(19)
928	Fisheries US Treaties	1,200	0	1,200	900	3,635	2,735	304
1	Research Fees	1	0	1	1	1	0	0
23	Permits	24	0	24	18	23	5	28
0	Banana Court -Dividends	10	0	10	0	0	0	0
0	Bank of the Cook Islands	248	0	248	0	0	0	0
35	Te Aponga - Dividends	319	0	319	0	0	0	0
0	Extraordinary SOE-Dividends	60	0	60	0	0	0	0
0	Bluesky - Dividends	1,150	0	1,150	863	863	0	0
274	Numismatic Revenue	350	0	350	262	167	(95)	(36)
0	Boarder Management Fees	120	0	120	90	0	(90)	(100)
59	Drivers Licenses	70	0	70	53	155	102	192
239	Motor Vehicle Registrations	875	0	875	656	656	0	0
1,525	Interest on balances	1,740	0	1,740	1,305	1,788	483	37
551	Interest on loans to subsidiaries	733	0	733	550	411	(139)	(25)
18	Foreign Investment Fees	26	0	26	19	19	0	0
364	Upper Air Management Agreement	746	0	746	560	545	(15)	(3)
41	Shipping Reg/Licenses	268	0	268	201	224	23	11
10	Intl Shipping Licenses	10	0	10	8	10	2	25
15	Liquor Licensing	60	0	60	44	41	(3)	(7)
115	Tattslotto Grants	120	0	120	90	105	15	17
2	Censorship Fees	10	0	10	7	2	(5)	(71)
223	Circulating Currency- Coins	876	0	876	657	538	(119)	(18)
0	Employers Liability	75	0	75	55	0	(55)	(100)
0	Motor Vehicle Dealers	5	0	5	4	1	(3)	(73)
3,025	Gain on Forex	0	0	0	0	1,252	1,252	0
61	Other Misc Revenue	604	0	604	0	93	93	0
18,367		22,190	0	22,190	15,711	18,496	2,785	18

Other Crown Revenue was \$2.79 million above the 2017/18 Budget estimate (18 per cent).

This was primarily due to higher than expected receipt from Fisheries US Treaties (\$2.74 million), followed by Gain on foreign exchange (\$1.25 million) and higher interest earned on term deposits (\$0.48 million). Offsetting these were lower than estimates collection in Fishing licences (\$1.68 million) as a result of timing of issuing of licences.

Bluesky dividends have been accrued for the period March 18 as dividends are earned on a quarterly basis, not necessarily received. Cook Islands Government shareholding in Bluesky Cook Islands is represented by 40 per cent ownership. All other dividends will be accrued at the end of the financial year.

Figure 1
Operating Revenue Trends

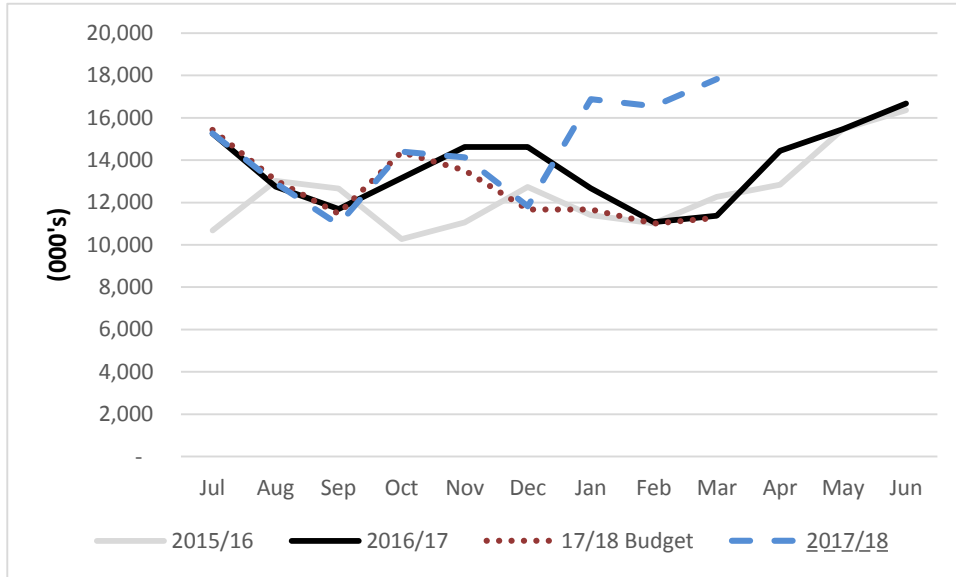


Figure 1 shows the trends over the previous two financial years and against the 2017/18 budget. Actual collection was well above 2017/18 Budget and prior years, as a result of increased economic activities reported previously.

General Government Expenditure Analysis

Ministries, Agencies & Ministerial Office

Table 11

Ministries, Agencies & Ministerial Office Appropriation Analysis – March 2018 YTD

2016/17 Actuals	2017/18	2017/18	2017/201	2017/18	2017/18	Variance	
	Budget Estimate - Full Year	Additional Funding Approval	8 Total Budget & Approval	Budget Estimate - 3 Qtr	Actual 3 Qtr	('000)	%
('000)	('000)	('000)	('000)	('000)	('000)	('000)	%
<u>Operating Revenue</u>							
4,187	Trading Revenue	5,068	0	5,068	1,875	2,617	742 40
4,187	Total Trading Revenue	5,068	0	5,068	1,875	2,617	742 40
<u>Operating Expenditure</u>							
29,628	Personnel	46,073	0	46,073	31,984	31,476	508 2
11,318	Operating	17,293	0	17,293	11,155	10,173	982 9
1,882	Depreciation	3,161	0	3,161	2,065	2,424	(359) (17)
42,828	Gross Appropriation	66,526	0	66,526	45,204	44,073	1,131 (7)
38,641	Net Appropriation	61,458	0	61,458	43,329	41,456	2,262 5

Trading Revenue

Trading revenue for March 2018 was \$0.74 million (40 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 15 Ministries with trading revenue, seven have exceeded and 8 were below budget estimates for the reporting period.

Personnel

Personnel expenditure for March 2018 was \$0.51 million (2 per cent) lower than Budget estimate. Vacancies in ministries and agencies have allowed this saving.

Operating

Operating expenditure for March 2018 was \$0.98 million (9 per cent) lower than Budget estimate. 22 Ministries under spent and 10 overspent for the reporting period.

Depreciation

Depreciation expenditure was above budget for March 2018 by \$0.36 million (-17 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.

Pa Enea (Outer Islands)

Table 12

Pa Enea (Outer Islands) Appropriation Analysis – March 2018 YTD

2016/17 Actuals	2017/18 Budget Estimate - Full Year	2017/18 Additional Funding Approval	2017/2018 Total Budget & Approval	2017/18 Budget Estimate - 3 Qtr	2017/18 Actual 3 Qtr	Variance	
('000)	('000)	('000)	('000)	('000)	('000)	('000)	%
Operating Revenue							
1,163 Trading Revenue	1,101	0	1,101	809	991	182	22
1,163 Total Trading Revenue	1,101	0	1,101	809	991	182	22
Operating Expenditure							
4,211 Personnel	6,461	0	6,461	4,702	4,264	438	9
1,836 Operating	2,171	0	2,171	1,620	1,565	55	3
881 Depreciation	1,124	0	1,124	817	864	(47)	(6)
6,928 Gross Appropriation	9,755	0	9,755	7,139	6,693	446	7
5,765 Net Appropriation	8,654	0	8,654	6,330	5,702	628	10

Trading Revenue

Trading Revenue for March 2018 actuals were higher by \$0.18 million (22 per cent) than the Budget estimates. Seven Islands exceeded their trading revenue with Mauke and Mangaia continuingly having an increase in their hireage of machinery, boating and reefing, electricity usage and aggregate sales, while three Islands did not meet their March 2018 Budget.

Personnel

Personnel Expenditure for March 2018 was below Budget estimates by \$0.44 million (9 per cent). All Islands had savings mostly due to unfilled vacancies.

Operating

Operating Expenditure for March 2018 was \$0.06 million (3 per cent) below Budget. Six Islands had savings with Atiu and Aitutaki having budgets overstated for this quarter as actual cost will increase in the next couple of months, while four Islands exceeded their budget.

Depreciation

Depreciation expenditure for March 2018 was in line with the Budget estimates.

Administered Payments and POBOCs

Administered payments were setup as a category of expenditure where government has provided funding to an agency for a particular purpose that directly relates to an output of a Ministry.

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

Table 13
Administered Payments and POBOCs

	2017/18 Budget Estimate - Full Year (‘000)	2017/18 Additional Funding Approval (‘000)	2017/2018 Total Budget & Approval (‘000)	2017/18 Budget Estimate - 3 Qtr (‘000)	2017/18 Actual - 3 Qtr (‘000)	Variance (‘000) %	
Administered Payments	37,565	1,476	39,042	30,623	24,408	6,215	20
Payment of Behalf of Crown (POBOCs)	25,120	243	25,362	19,307	18,581	726	4
Total	62,685	1,719	64,404	49,931	42,989	6,942	14

Administered Payments

Administered payments were below Budget estimates by \$6.22 million (20 per cent) primarily due to timing issue against the initial cash flow plan. Administered payments are grouped into Compensation of employees, Subsidies, Use of goods and services and Other expenses.

Compensation of employees was \$1.53 million (50 per cent) below Budget estimates with savings in Public Sector Strengthening.

Total Subsidies was \$1.25 million (13 per cent) below Budget estimates primarily as a result of savings in the Air New Zealand underwrite due to increased passengers from the Los Angeles and Sydney routes.

Social Assistance was \$0.61 million (23 per cent) below Budget estimates with due to lower government funded scholarship payments and welfare payment allowances for the period ending March 18.

Furthermore, total Use of Goods and Services had a saving of \$1.04 million (10 per cent) against Budget estimates with Provision for Land Rental, Te Maeva Nui Constitutional Celebrations and Border Management System Maintenance attributed to this saving.

In addition, other expenses was also below Budget estimates \$1.79 million (36 per cent) due to timing issues in the Establishment and implementation of a water utility for Rarotonga, private school funding and production of new currency, transportation and sale of old coins expenditure.

Table 14
Administered Payments – March 2018 YTD

Administering Ministry	Administered Payment	2017/18	2017/18	2017/2018	2017/18	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Budget Estimate - 3 Qtr	Actual - 3 Qtr	(000)	%
		('000)	('000)	('000)	('000)	('000)	(000)	%
Compensation of Employees								
Cook Islands Investment Corporation	Infrastructure Committee	75	0	75	56	0	56	100
Cook Islands Investment Corporation	Joint Venture with Seabed Minerals Authority	130	0	130	98	52	45	46
Cook Islands Investment Corporation	Special Projects Units	420	0	420	315	0	315	100
National Environment Service	National Heritage Trust	82	0	82	62	52	10	16
Finance and Economic Management	Public Sector Strengthening-processes and systems MFEM	160	0	160	141	141	0	0
Finance and Economic Management	Tax Amnesty Refund	500	0	500	375	0	375	100
Finance and Economic Management	Salary Adjustment Administered Fund	150	0	150	113	0	113	100
Internal Affairs	Price Tribunal	30	0	30	23	15	7	32
Justice	Project to bring land records up to date	120	0	120	120	108	12	10
Justice	Judges Allowances	177	0	177	133	122	10	8
Public Service Commission	HOM's Salaries	1,230	0	1,230	923	906	17	2
Prime Minister's Office	Public Sector Strengthening	600	0	600	450	52	398	88
Cook Islands Investment Corporation	School Security	250	0	250	188	0	188	100
Transport	Director of Civil Aviation	56	0	56	42	56	(14)	(34)
Total Compensation of Employees		3,981	0	3,981	3,036	1,504	1,532	50
Subsidies								
Education	University of the South Pacific Contribution	285	0	285	285	223	62	22
Finance and Economic Management	Air New Zealand - Subsidies	12,000	0	12,000	9,000	8,223	777	9
Finance and Economic Management	Provision for Inter Island Shipping	500	0	500	375	0	375	100
Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Enua	45	0	45	34	0	34	100
Total Subsidies		12,830	0	12,830	9,694	8,446	1,248	13
Social Assistance								
Education	Government Funded Scholarships	910	0	910	683	344	338	50
Health	Patient Referrals	550	200	750	720	720	0	0
Health	Nursing School	234	0	234	234	236	(2)	(1)
Health	NCD Fund	195	0	195	195	178	17	9
Health	Oxygen Plant	30	0	30	23	18	4	18
Internal Affairs	Welfare Payments - Allowances	983	0	983	737	514	223	30
Justice	Legal Aid	40	0	40	30	0	30	100
Total Social Assistance		2,942	200	3,142	2,621	2,010	611	23

Table 14 (continue)
Administered Payments – March 2018 YTD

Administering Ministry	Administered Payment	2017/18 Budget Estimate - Full Year (‘000)	2017/18 Additional Funding Approval (‘000)	2017/2018 Total Budget & Approval (‘000)	2017/18 Budget Estimate - 3 Qtr (‘000)	2017/18 Actual - 3 Qtr (‘000)	Variance (‘000) %	
Use of Goods and Services								
Marine Resources	WCPFC Conference	50	0	50	50	49	1	2
Cultural Development	Te Maeva Nui Constitution Celebrations	723	0	723	542	411	131	24
Cook Islands Investment Corporation	Provision for Land Rentals	1,500	0	1,500	1,125	740	385	34
Cook Islands Investment Corporation	Land Rent Reviews #	642	375	1,017	788	788	0	0
Finance and Economic Management	HRMIS Tax Amnesty Change	100	0	100	86	86	(0)	(1)
Education	Tertiary Training Institutions	760	0	760	582	582	0	0
Finance and Economic Management	Audit of Crown Accounts	30	0	30	23	0	23	100
Finance and Economic Management	Border Management System Maintenance	135	0	135	101	0	101	100
Finance and Economic Management	National Superannuation Fund	243	0	243	182	92	90	50
Finance and Economic Management	Standard and Poors Subscription	55	0	55	55	54	1	2
Foreign Affairs	Cook Islands Student Association Support	5	0	5	5	5	0	3
Head Of State	Domestic Hosting Entertainment	15	0	15	13	13	0	1
Head Of State	QR Social Responsibility Fund	8	0	8	6	5	1	19
Health	Hosting of the 2017 Pacific Health Ministers' Meeting #	50	66	116	83	83	0	0
Health	Pharmaceuticals	668	200	868	809	809	0	0
Infrastructure Cook Islands	Outer Islands Equipment Repairs of Unanticipated Breakdowns	200	0	200	150	130	20	13
Infrastructure Cook Islands	Waste Management	545	0	545	409	329	79	19
Internal Affairs	Lease extension	72	0	72	54	54	0	0
Internal Affairs	Vaka Maintenance	400	0	400	300	296	4	1
Parliamentary Services	Pacific Legislatures for Population and Governance (PLPG)	52	0	52	39	38	1	3
Parliamentary Services	Special Select Committee #	10	63	73	57	57	0	0
Parliamentary Services	Remuneration Tribunal Committee	0	28	28	21	0	21	100
Cultural Development	Te Kopapa Reo Maori Board	15	0	15	11	7	5	42
Prime Minister's Office	Social Responsibility Fund	243	0	243	243	243	0	0
Prime Minister's Office	Undersea Fiberoptic Cable	35	0	35	35	33	2	5
Police	Search and Rescue	20	0	20	20	18	2	9
Police	Serious Crime Investigations	50	0	50	50	47	3	6
Police	Te Kukupa - Fuel Contribution	140	0	140	105	38	67	64
Police	Youth Program	45	0	45	34	1	33	98
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,400	0	5,400	4,212	4,212	0	0
Foreign Affairs	Returned Services Association	5	0	5	4	0	4	100
Prime Minister's Office	Community Support Fund	100	0	100	86	86	0	0
Environment	E - Waste & Whitewear Collection	100	0	100	75	10	65	86
Total Use of Goods and Services		12,415	731	13,146	10,354	9,317	1,038	10
Other Expense								
Cook Islands Investment Corporation	Establishment and implementation of a water utility for Rarotonga	1,400	0	1,400	1,050	100	950	90
Education	Private School Funding	2,147	0	2,147	2,147	1,763	384	18
Marine Resources	Fisheries Development Facility	200	0	200	150	117	33	22
Marine Resources	Fisheries Development Facility in the Pa Enua	100	0	100	75	19	56	75
Internal Affairs	CISNOG Grant	220	0	220	220	220	0	0
Internal Affairs	SIF - Cook Islands Government Contribution	881	485	1,366	894	894	0	0
Finance and Economic Management	2017 Baseline Funding for Conduct of the National Census	0	60	60	45	14	31	70
Finance and Economic Management	Conduct of a Labour Force Survey	100	0	100	75	0	75	100
Finance and Economic Management	Production of new currency, transportation and sale of old coins	350	0	350	263	4	259	98
Other Expenses		5,398	545	5,943	4,918	3,131	1,788	36
Grand Total		37,565	1,476	39,042	30,623	24,408	6,215	20

Payments On Behalf of Crown (POBOC)

The overall saving in POBOC expenditure of \$0.73 million (4 per cent) was mainly attributed to the saving in Compensation to Employees (below \$0.10 million) from Parliamentary Superannuation, Use of Good and Services (below \$0.22 million) from Audit fees and Civil List –Constituency visits. In addition Subsidies were below Budget estimates (below \$0.46 million) as a result of TAU –social assistance subsidy, BCI - social assistance subsidy and Ports Authority social assistance subsidy. Other expenses were also below Budget estimates (\$0.25 million) due to lower international subscriptions and Pacific Catastrophe Risk insurance.

Offsetting these savings was a higher expenditure for the period ending March 18 for Social Assistance (\$0.30 million) due to greater welfare payments of old age pensions and child benefits.

The saving identified were largely due to timing with the actual payment expected to come in towards the end of the financial year.

Table 15
Payments on Behalf of Crown – March 2018 YTD

Administering Ministry	POBOC	2017/18	2017/18	2017/2018	2017/18	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Estimate Approval	Budget	Actual - 3 Qtr	(000)	(000) %
Compensation of Employees								
Finance and Economic Management	Parliamentary Superannuation	180	0	180	135	56	79	59
Audit (PERCA)	PERC Salaries and Administration Costs	43	0	43	32	26	6	19
Parliamentary Services	Civil List - Personnel	2,011	12	2,023	1,509	1,496	12	1
Parliamentary Services	House of Ariki	178	50	228	178	174	4	2
Total Compensation of Employees POBOCs		2,412	62	2,474	1,853	1,752	102	5
Use of Goods and Services								
Audit (PERCA)	Audit Fees	96	0	96	72	0	72	100
Justice	General Elections, Petitions and By-Elections	0	0	0	0	0	0	0
Parliamentary Services	Civil List - Constituency Visits	170	0	170	128	50	78	61
Parliamentary Services	Parliamentary Sitting Expenses	120	0	120	90	80	10	11
Parliamentary Services	MP Travel and Allowances (local and overseas)	41	181	222	222	208	14	6
Parliamentary Services	QR Travel and Allowances (local and overseas)	109	0	109	109	106	3	2
Foreign Affairs	IMO - Maritime Cook Islands	63	0	63	48	0	48	100
Total Use of Goods and Services POBOCs		599	181	780	667	444	224	34
Subsidies								
Finance and Economic Management	Apex - Profit Guarantee	750	0	750	618	618	0	0
Cook Islands Investment Corporation	BCI - social assistance subsidy	120	0	120	90	0	90	100
Cook Islands Investment Corporation	Airport Authority subsidy	2,048	0	2,048	1,536	1,536	0	0
Cook Islands Investment Corporation	Ports Authority - subsidy	110	0	110	83	0	83	100
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380	0	380	285	0	285	100
Total Subsidies POBOCs		3,408	0	3,408	2,612	2,154	458	18
Social Assistance								
Internal Affairs	Welfare Payments	17,354	0	17,354	13,015	13,321	(306)	(2)
Total Social Assistance POBOCs		17,354	0	17,354	13,015	13,321	(306)	(2)
Other Expense								
Finance and Economic Management	Pacific Catastrophe Risk Insurance	121	0	121	91	0	91	100
Finance and Economic Management	CICC - Training Center Construction Grant	600	0	600	600	650	(50)	(8)
Foreign Affairs	International Subscriptions	626	0	626	469	260	209	45
Total Other Expenses POBOCs		1,346	0	1,346	1,160	910	249	22
Grand Total		25,120	243	25,362	19,307	18,581	726	4

Other General Government Operating Expenditure

Table 16
Other General Government Operating Expenditure

Actual YTD 2016/17 Category of Expense ('000)	2017/18	2017/18	2017/2018	2017/18	2017/18	Variance	
	Budget Estimate - Full Year ('000)	Additional Funding Approval ('000)	Total Budget & Approval ('000)	Budget Estimate - 3 Qtr ('000)	Actual - 3 Qtr ('000)	('000)	%
250 Contingency Funds - Operating	100	481	581	556	515	40	7
2,762 Crown Infrastructure Depreciation	4,603	0	4603	3,452	3,452	0	0
453 Transfer to Emergency Response Trust Fund	50	0	50	38	38	0	0
411 Transfer to Reserve Trust Fund	592	0	592	444	444	0	0
1,772 Depreciation Contingency Reserve	3,957	0	3957	2,968	223	2,745	92
1,153 Debt Servicing Interest	2,063	0	2063	1,547	1,818	(271)	(18)
1,392 Foreign Exchange (Gain)/Loss	0	0	0	0	4,298	(4,298)	0
0 Other	0	0	0	0	3	(3)	0
8,193 Total Other Expenses	11,365	481	11,846	9,005	10,791	(1,786)	(20)

Other operating spending for the General Government sector were 20 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

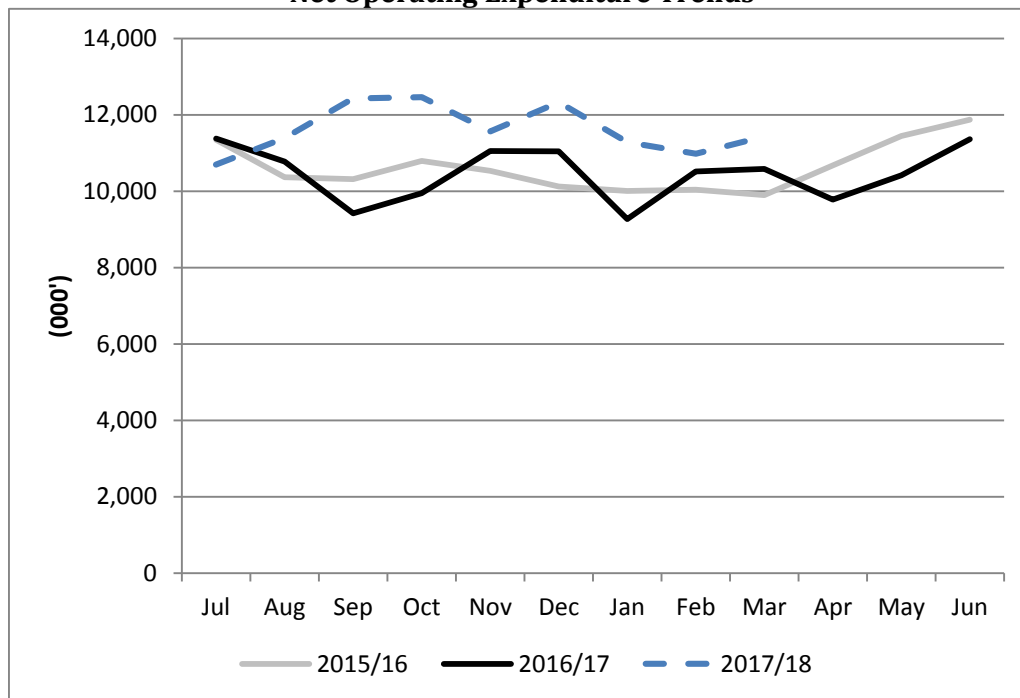


Figure 2 shows the trends over the previous two financial years. Current trend reflecting higher expenditure compared to prior years as result of increased Government spending as approved by the 2017/18 Budget Appropriation.

Capital Expenditure

Table 17
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2017/18 Budget	2017/18	2017/2018	2017/18	2017/18	Variance	
		Estimate - Full	Additional	Total	Budget	Actual 3		
		Year	Funding	Budget &	Estimate -	Qtr		
		Approval #	Approval #	Approval	3 Qtr			
		('000)	('000)	('000)	('000)	('000)	('000)	%
AITUTAKI ISLAND GOVERNMENT								
Aitutaki	Aitutaki road sealing	0	512	512	180	688	4	1
		0	512	512	180	688	4	1
AGRICULTURE								
Rarotonga	Vanilla Shade House	100	0	100	75	31	44	58
		100	0	100	75	31	44	58
COOK ISLANDS INVESTMENT CORPORATION								
Rarotonga	Apii Nikao design, demolition, construction supervision and quality assurance	300	0	300	225	0	225	100
Aitutaki	Orongo Development Master Plan and Centre reconstruction (Ports Authority)	250	0	250	188	0	188	100
Rarotonga	Vaikapuangi Government Building - design	0	0	0	338	0	338	100
Rarotonga	Tereora College Stage 1 Works	0	240	240	1,462	2,099	(397)	(23)
Rarotonga	Te Mato Vai - Stage 1: road & pipeline easement & Stage 2 land acquisition for water intakes	1462	1,250	2,712	0	0	1,250	100
Pukapuka	Pukapuka Hospital	450	500	950	0	0	500	100
Pukapuka	Government House Pukapuka	0	21	21	0	0	21	100
Rarotonga	Repairs TSA, Police and Justice building	0	340	340	0	0	340	100
Rarotonga	Arenikau Water Storage tank	315	0	315	236	0	236	100
		2777	2,351	5,128	2,448	2,099	2,700	56
EDUCATION								
National	Fund to be Prioritised by Education	360	0	360	270	167	103	38
		360	0	360	270	167	103	38
HEALTH								
National	Fund to be Prioritised for Technical Equipment	275	32	307	275	276	31	11
Rarotonga	Medical Service Bed End Panels	310	50	359	232	266	16	7
Rarotonga	Hospital Incinerator	150	0	150	188	2	186	99
Rarotonga	Ambulance	250	0	250	113	2	110	98
		985	82	1,066	807	546	343	39
INTERNAL AFFAIRS								
Rarotonga	Vaka Maintenance Capital Projects	50	0	50	38	0	38	100
		50	0	50	38	0	38	100
MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT								
National	Banking payments system	635	0	635	476	0	476	100
Rarotonga	FMIS purchase and implementation	420	0	420	315	83	232	74
Rarotonga	AEOI IT System	500	0	500	375	190	185	49
Rarotonga	Water & Sanitation Programe (WASP)	2081	0	2,081	1,561	65	1,496	96
Rarotonga	Te Mato Vai - Management Fee	0	22	22	0	0	22	0
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	13000	0	13,000	9,750	704	9,046	93
		16636	22	16,658	12,477	1,042	11,457	92
JUSTICE								
National	Online business registry	200	0	200	150	200	(50)	(33)
		200	0	200	150	200	(50)	(33)

Table 17 (continue)
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2017/18 Budget	2017/18	2017/2018	2017/18	2017/18	Variance	
		Estimate - Full	Additional	Total	Budget	Actual 3		
		Year	Funding	Budget &	Estimate -	Qtr		
		Approval #	Approval	Estimate -	3 Qtr			
		('000)	('000)	('000)	('000)	('000)	('000)	%
INFRASTRUCTURE COOK ISLANDS								
Atiu	Atiu Airport Runway Stabilisation	427	27	455	321	93	255	79
Atiu	Atiu Road Sealing	242	15	257	182	7	190	104
Aitutaki	Establishing new water galleries	468	0	468	351	30	321	91
National	Bitumen Truck	0	167	167	50	102	114	228
Rarotonga	Bridges & Drainage	1,810	3	1,814	1,128	145	986	87
Rarotonga	Muri Road Widening	0	24	24	0	39	(15)	0
Mangaia and Palmerston	Cargo barge repair program	0	106	106	0	13	93	0
Various	Cyclone Centre Program	390	0	390	293	66	227	77
Rarotonga	Avatiu Valley Stream embankment	36	359	395	27	0	386	1,429
Rarotonga	Rarotonga Road Sealing Programme	2,000	353	2,353	1,500	621	1,232	82
Mangaia	Mangaia Road Sealing	495	0	495	372	128	243	65
Mangaia, Atiu, Mauke	HV Transport Trailer	0	106	106	0	96	10	0
Mangaia	HIAB (includes man cage & fork)	0	109	109	0	158	(50)	0
Mangaia	Central water project	0	12	12	0	11	1	0
Mangaia	Tamarua Water Project	250	0	250	188	53	135	72
Manihiki	Airport Terminal - construction	0	56	56	0	56	(0)	0
Manihiki	Lagoon	150	0	150	113	9	104	92
Mitiaro	Manea Games Upgrade	0	23	23	0	21	2	0
Mitiaro	Water Upgrade	247	0	247	185	67	118	64
Penrhyn	Omoka Harbour Upgrade	250	0	250	188	0	188	100
Pukapuka	Upgrade of Airport terminal buildings	122	0	122	122	66	55	46
Pukapuka	Yato Cargo Shed Upgrade	0	8	8	0	8	0	0
Rakahanga	Large boat & outboard motor	0	84	84	0	81	3	0
Rakahanga	Rakahanga Cyclone Center	550	0	550	413	2	410	100
Pa Enea	Pa Enea Machinery Shelters	0	43	43	0	32	11	0
Rarotonga	Road Network Maintenance	630	3	633	473	525	(50)	-11
Rarotonga	Rutaki Foreshore Rock Revetment	0	120	120	0	68	52	0
Rarotonga	Tip Truck	100	0	100	75	0	75	100
Rarotonga	TMV Titikaveka backroad ringmain pipeline	0	127	127	0	0	127	0
Rarotonga	Water Network Maintenance	500	32	532	375	265	142	38
		8,668	1,775	10,442	6,351	2,760	5,365	66
OFFICE OF THE PRIME MINISTER								
Atiu	Atiu Power Distribution	660	0	660	495	183	312	63
Aitutaki	Aitutaki Renewable Energy	2800	0	2,800	2,100	0	2,100	100
Pa Enea	Renewable Energy - Capital works	0	10,948	10,948	0	7,218	3,730	0
National	Government IT Network	40	0	40	40	37	3	8
National	Renewable Management Project	250	0	250	188	219	(31)	-17
	Management and Support							
National	Manatua Polynesian Cable (Loan Component)	10,870	0	10,870	0	0	0	0
		14,620	10,948	25,568	2,823	7,657	6,114	44
ADMINISTERED BY MFEM								
National	Capital Distribution Fund	400	0	400	300	(3)	260	87
Pa Enea	Outer Islands Small Capital Fund	110	0	110	83	40	43	52
	Aitutaki	16	0	16	12	13	(1)	(7)
	Atiu	12	0	12	9	6	3	31
	Mangaia	12	0	12	9	1	8	89
	Manihiki	10	0	10	8	0	8	100
	Mauke	10	0	10	8	2	5	68
	Mitiaro	8	0	8	6	5	1	24
	Palmerston	10	0	10	8	2	5	70
	Penrhyn	12	0	12	9	8	1	15
	Pukapuka-Nassau	12	0	12	9	0	9	100
	Rakahanga	8	0	8	6	3	3	49
		510	0	510	383	37	345	90
GRAND TOTAL		44,904	15,690	60,595	26,001	15,227	26,463	63

Spending on Capital expenditure were below Budget estimates by \$26.46 million (63 per cent). The variance was mainly due to timing of spending and the ability to contract for services to date.

Capital projects Te Mato Vai stage One-road and pipe easement (below \$1.25 million) and Te Mato Vai stage Two (below \$9.05 million) has been hindered by land matters which further delayed the progress.

Water and Sanitation Programme (WASP) was below Budget estimates (\$1.50 million) as a result of legal matters and technical issues resulting in delays for the period ending March 18.

The Rarotonga Road Sealing Programme has also experienced delays (below \$1.23 million) due to scheduling of project activities.

Aitutaki Renewable Energy capital project (below \$2.10 million) is currently being tendered with implementation to commence during the last quarter of year.

Pa Enea Renewable Energy capital works were also below Budget estimates (below \$3.73 million) due to scheduling issues.

The Manatua Submarine Cable was supported to enable reliable and affordable broadband connections. This project has been developed in partnership with the governments of Samoa, French Polynesia and Niue who have all contributed to the procurement of the cable. The ADB procurement process was followed and a tender is yet to be awarded. Manatua's main trunk will connect directly to Samoa and French Polynesian with branching units linking Niue, Rarotonga and Aitutaki. Due to the prolonged preparatory work and the procurement process to be complied with, this has delayed the project resulting in the major underspend of the loan component of this project.

Crown Gross Debt

The total gross debt by the Crown for the March 2018 period was \$100.04 million, a decrease of \$0.81 million from the December 2017 quarter (Table 19) due mainly to the favourable movements in foreign exchange rates.

General Government Net Debt

The general government's 'Net Debt' is equivalent to total gross debt, net of the Loan Repayment Fund (LRF) and SOE debts.

General Government Net Debt at March 2018 quarter was \$56.82 million, a \$3.72 million decrease from the December 2017 quarter. This decrease was attributable to the principal repayments of \$2.09 million, an increase in LRF of \$2.83 million and a favourable movement in exchange rates against the New Zealand Dollar (NZD) of \$0.07 million. Offsetting these were the drawdown of the Renewable Energy Project of \$1.27 million.

Table 18
Average Exchange Rates Used

Foreign Currency	31-Dec-17 Average	31-Mar-18 Average	Net Change
EUR	0.5942	0.5984	0.0042
USD	0.7097	0.7166	0.0069
CNY	4.6381	4.6753	0.0372
SDR	0.4983	0.4955	(0.0028)

The New Zealand dollar strengthened against all major trading currencies.

Figure 3
Composition of Crown Debt by Currency

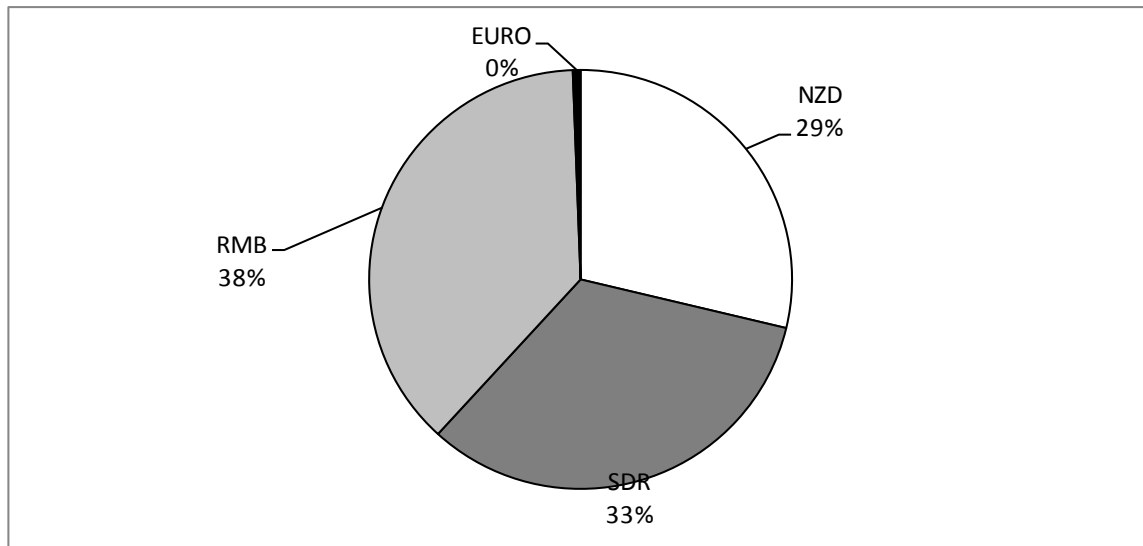


Table 19
Crown Debt – March 2018 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	Dec 2017 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments ('000)	March 2018 Balance ('000)	Change Dec 17 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	861	(298)	(14)	0	549	(312)
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	10,292	(472)	(74)	0	9,746	(546)
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	25,377	0	(201)	0	25,176	(201)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	316	(49)	0	0	267	(49)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	349	0	4	0	353	4
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	1,606	(75)	11	0	1,542	(64)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	3,990	(143)	32	0	3,879	(111)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,017	0	11	0	1,028	11
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	352	0	3	0	355	3
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	402	(11)	4	0	395	(7)
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,456	(67)	22	0	2,411	(45)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,102	(55)	19	0	2,066	(36)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,784	(119)	45	0	4,710	(74)
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	814	0	9	0	823	9
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,051	0	23	0	2,074	23
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,384	0	37	0	3,421	37
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,263	0	0	0	9,263	0
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	7,276	0	80	0	7,356	80
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,133	0	0	0	5,133	0
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	6,042	(302)	0	0	5,740	(302)
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	7,035	(502)	0	0	6,533	(502)
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	5,943	0	0	1,274	7,217	1,274
Total Gross Debt					100,845	(2,093)	11	1,274	100,037	(808)
Less Loan Reserve					18,631	0	0	2,830	21,461	2,830
Net Debt by the Crown					82,214	(2,093)	11	(1,556)	78,576	(3,638)
Less Avatiu Port Development					21,672	0	80	0	21,752	80
Net Debt by the General Government					60,542	(2,093)	(69)	(1,556)	56,824	(3,718)

Official Development Assistance (ODA)

Official Development Assistance was appropriated at the total value of \$77.86 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 estimated year end of 2017/18. Total spend illustrates programme/project expenditures from July 2017 to June 20178. ODA spends is estimated at \$61.51 million, predominately driven by Apii Nikao, Chinese building refurbishments and Te Mato Vai. This is the highest ODA spend at 79% when compared to the same period over previous years.

Table 20
Cook Islands Official Development Assistance (ODA) Budget vs Actuals for 2017/18

Development Partner	2017/18 Budget	2017/18 Actual Spend	% of Spend Against Budget
Asian Development Bank	652,174	8,065	1%
Australia	226,591	157,047	69%
China	11,734,000	21,544,999	184%
European Union	8,902,092	2,179,925	24%
New Zealand	39,946,349	29,186,610	73%
United Nations	1,917,514	1,052,823	55%
Global Environment Facility	9,669,946	5,760,960	60%
Green Climate Fund	869,565	150,994	17%
India	260,486	335,619	129%
Other	3,684,395	1,132,456	31%
Total Budget	77,863,113	61,509,497	79%

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.

MFEM is still assessing the impact but it is envisaged that the Government will be required to undertake work on re-prioritising government expenditure should graduation occur. MFEM anticipates that access to technical assistance and training opportunities will be impacted significantly and requires assessing the fiscal impacts. The recent Joint Ministerial Forum meeting in Auckland also included dialogue on the Cook Islands interest in strengthening agency to agency relationships. New Zealand remains committed to providing support in some form, post-graduation, with the level of assistance to be determined by the Triennium negotiations.

TE TARAI VAKA (TTV) ACTIVITY MANAGEMENT SYSTEM REVIEW

The TTV is the CIG Activity Management System endorsed in 2014 to streamline approach to plan, implement and monitor programmes across government. The system consists of policies, guidelines and tools to support CIG commitment to transparent, efficient and effective use of tax payer funds and development partner assistance.

A consultant was engaged to review and simplify the TTV to better suit the needs of users and stakeholders. The review is now complete with technical assistance from local expertise, Voyager Group Consultancy. Together with a working group consisting of CIIC, OPM, OPSC, ICI and MFEM representatives, this work included a review to ensure that TTV is fit for purpose within the machinery of the CIG. TTV is now for use not only for ODA projects but also for CIG projects. The suites of about eight existing TTV policies have been merged to one TTV overarching policy with a process map for ease of referencing. The condensed version of the existing TTV templates and guidelines suite has been released for trial in November 2017. Training is in progress for key TTV users and already nine agencies including MFEM have had training in Dec 2017 and April 2018. Official endorsement for launch of the new and improved TTV will be on the MFEM website later in 2018. It is important that ongoing training for the new activity management system is embed to ensure active application of TTV processes, concepts and principals. The intention is the strengthen skills in the area of planning, risk management, monitoring and evaluation, results framework.

However, a key finding of the review is lack of streamlined approval processes for ODA and CIG programmes, at the national and political levels. Clarity is required as this impacts programme planning, implementation and reporting where there is no clear guidance as to when programmes are needed for the attention of the National Sustainable Development Commission, Infrastructure Committee, Budget Committee and such before going to Cabinet.

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 May 2018 with an estimated cost of \$14.58 million.

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

The official opening and handover ceremony was held in March 2018 and was attended by the Right Honourable Prime Minister Jacinda Arden of New Zealand and her delegation, staff and students, landowners and the wider community. This was New Zealand's 50th anniversary gift to the Cook Islands funded through the transformation funds.

Two buildings were presented; the Technology Centre which acts as a hub for technology creativity and the Student Research/Administration building as the heart of the college. In addition to providing tutorial spaces, support services, administration offices and a library, the building houses a Seminar room – the first of its kind in the country.

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	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.
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	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.
Establishment of a Water and Wastewater Authority	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.

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.

State Owned Enterprises (SOEs)

The table below consolidates the March 18 performances of Cook Islands Investment Corporation (CIIC), Airport Authority, Bank of the Cook Islands, Ports Authority and Te Aponga Uira.

Table 21
SOEs Appropriation Analysis – March 2018 YTD

2016/17		Budget	Actuals	Variance	
Actuals		2017/18	2017/18		
('000)		('000)	('000)	('000)	%
<u>Operating Revenue</u>					
21,435	Trading Revenue	38,819	38,221	(598)	-2
21,435	Total Trading Revenue	38,819	38,221	(598)	-2
<u>Operating Expenditure</u>					
4,997	Personnel	8,839	7,593	(1,246)	-14
12,360	Operating	20,773	17,843	(2,930)	-14
3,474	Depreciation	5,750	5,454	(296)	-5
20,831	Total Operating Expenditure	35,362	30,890	(4,472)	-13
604	Operating Surplus/(Loss)	3,457	7,331	3,874	11

Overall increases in trading revenues and savings in personnel and operations by the SOE's has attributed to the favourable variance against Budget estimates of \$3.87 million at the end of the period March18.

Trading revenue collection were above Budget estimates by \$0.60 million. CIIC and Te Aponga Uira contributed to this variance with higher trading revenue.

The favourable variance in Personnel expenditure of \$1.25 million was mostly from Te Aponga Uira (\$0.81million) attributable to a number of vacancies across a number of management and technical positions.

Operating expenditure saving of \$2.93 million were related to timing differences in CIIC and BCI, while the Airport Authority saving of \$0.60 million is driven from cost efficiencies in operations.