

Cook Islands Government

Quarterly Financial Report

June 2018

Prepared by the Ministry of Finance and Economic Management
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Introduction

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

References to '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 including Cook Islands Investment Corporation Operation.

State Owned Enterprises (SOE's) group consolidation are reported separately in later sections of this report.

Key Points

The net operating balance of the General Government sector for the period ending 30 June 2018 was a surplus of \$37.23 million.

- Total operating revenue for the period was above Budget estimates by \$28.08 million primarily as a result of greater taxation collection.
- Total operating expenses was lower than Budget estimates due to lower spending in Administered Payments (\$6.23 million), POBOCs (\$1.07 million) and Ministry/ Pa Enea expenditure (\$6.01 million). Offsetting these variances was overspending in Other general expenditure (\$4.65 million).
- Spending on Capital Expenditure were well below estimates (\$38.41 million) due mainly to scheduling.

Table 1
Net Operating Balance General Government - June 2018

	2017/18 Budget Estimate - Full Year ('000)	2017/18 Additional Funding Approval ('000)	2017/2018 Total Budget & Approval ('000)	2017/18 Actual - Full Year ('000)	Variance ('000) %	
2016/17 Actual ('000)						
171,521 Operating Revenue	154,534	0	154,534	182,612	28,077	18
125,763 Operating Expenditure	150,332	3,717	154,049	145,385	8,664	6
45,758 Net Operating Balance	4,202	3,717	485	37,226	36,742	7,577

The overall fiscal balance of \$23.89 million (Table 2) adjusts the Net Operating Balance for the effects of depreciation and capital expenditure.

Table 2
Fiscal Balance of General Government - June 2018

	2017/18 Budget Estimate - Full Year ('000)	2017/18 Additional Funding Approval ('000)	2017/2018 Total Budget & Approval ('000)	2017/18 Actual - Full Year ('000)	Variance ('000) %	
45,758 Net Operating Balance	4,202	3,717	485	37,226	36,742	7,577
3,682 Add Crown Depreciation	4,603	0	4,603	4,603	0	0
3,091 Add Ministry Depreciation	3,161	0	3,161	2,970	191	6
1,041 Add Pa Enea Depreciation	1,124	0	1,124	1,133	(9)	(1)
20,783 Less Capital Expenditure - CI Govt Funded	44,904	15,550	60,454	22,041	38,413	64
32,789 Fiscal Balance	(31,815)	19,267	(51,082)	23,891	75,336	(147)

Summary of the Financial Performance of the General Government

The net operating surplus of the General Government sector for the period ending June 2018 was \$37.23 million, representing an increase of \$36.74 million on the Budget estimates for the same period.

Overall, revenue was \$28.08 million higher than the Budget estimates and operating expenditure was lower by \$8.66 million compared to the Budget estimates for the reporting period.

Table 3
Net Operating Balance period ending 30 June 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 Actual - Full Year ('000)	Variance ('000)
<u>Operating Revenue</u>					
125,397 Taxation Revenue	118,409	0	118,409	140,587	22,178
29,505 Other Revenue	22,190	0	22,190	26,587	4,397
7,012 Trading Revenue	6,169	0	6,169	7,707	1,538
1,030 Higher Modality Partnership NZ	0	0	0	0	0
8,577 Core Sector Support	7,766	0	7,766	7,730	(36)
171,521 Total Operating Revenue	154,534	0	154,534	182,612	28,077
<u>Operating Expenditure</u>					
63,145 Ministry/ Pa Enuu Expenditure	76,282	0	76,282	70,269	6,012
30,220 Administered Payments	37,565	1,902	39,467	33,233	6,234
20,147 Payments on Behalf of the Crown	25,120	800	25,919	24,851	1,069
12,250 Other expenses and Financing Transactions	11,365	1,016	12,382	17,032	(4,651)
125,763 Total Operating Expenditure	150,332	3,717	154,049	145,385	8,664
45,758 Net Operating Balance	4,202	3,717	485	37,226	36,742

Summary of the Financial Position of the General Government

The Financial Position as at 30 June 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 30 June 2018		
	2017/18	2016/17
	Actual	Actual
	\$ ('000)	\$ ('000)
Current Assets		
Cash and Term Deposits	120,774	97,572
Loan Repayment Fund	21,461	18,338
Tax Receivables	35,628	31,616
Advances to SOEs	28,010	28,375
Debtors and Other Receivables	9,311	5,108
Inventory	1,620	1,850
Non Current Assets		
Fixed Assets	112,948	100,838
Total Assets	329,753	283,697
Current Liabilities		
Creditors and Other Payables	19,662	17,392
Trust Liabilities	23,625	17,178
Non Current Liabilities		
Foreign Borrowings	101,292	94,244
Total Liabilities	144,579	128,814
Net Assets	185,174	154,883
General Government Balance	185,174	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 30 June 2018		
Represented by:		
Cash Holdings Crown Parent- Table 6	116,925	85,555
less Loan Repayment Fund	21,461	18,338
	<u>95,464</u>	<u>67,217</u>
Cash Holdings Ministry/Agency/Pa Enuua	5,143	7,963
Aid Trusts Accounts	10,920	10,209
Land Trust Account	5,303	1,562
Law Trust Accounts	380	0
Other Trust Accounts	3,563	10,621
Total	120,774	97,572

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 June 2018 were \$84.15 million, an increase of \$1.93 million from March 2018. Table 6 below illustrates Crown cash reserves consisting of term deposits and operational accounts.

Table 6
Cash Reserves - June 2018 YTD

	March 18 Qtr ('000)	June 18 Qtr ('000)	Change March 18 Qtr ('000)
Total Term Deposit at the Bank			
BSP	26,369	24,833	(1,536)
ANZ	60,299	62,938	2,639
BCI	13,995	13,995	0
Total Term Deposit at the Bank	100,663	101,765	1,103
Current Operating Accounts	11,543	15,159	3,616
Total Cash Reserve	112,206	116,925	4,719
Committed:			
Trust Fund General Reserve	2,911	2,911	0
Disaster Response Trust ¹	1,716	1,716	0
Loan Repayment Fund ²	18,692	21,461	2,769
Trust Account Deposit ³	3,172	3,192	20
Carry Forward Contingency - OPEX ⁴	500	500	0
Working Capital ⁵	3,000	3,000	0
Total Commitment for this year	29,991	32,780	2,789
Estimated General Cash Reserve	82,215	84,145	1,930

The total increase in cash held of \$4.72 million was offset by the increase in Loan Repayment Fund (LRF) commitment of \$2.77 million. The LRF is now being setup as a separate fund as prescribed and governed by the LRF Act 2014.

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 requirement

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
less: Approved expenditure for the June 18 Quarter	4,099
Total Balance	-

General government has committed \$4.10 million out of the \$4.10 million allocation as at 30 June 2018.

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 Government 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, 12 th 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
Civil List Personnel	23
MP travel and allowance top up	107
St Marys Arbitration Case	354
Minister Turepu - Attendance to 34 th FAO conference in Fiji	2
Minister Brown travel to Palau and Manila	15
Patient Referral	150
Settlement of medical negligence claim	43
Top up Contingency Fund	50
Top up Contingency Fund	95
Total as at 30 June 2018	4,099

General Government Revenue Analysis

General Government sector revenue as at 30 June 2018 was higher than Budget estimate by \$28.08 million.

Table 9
General Government Revenue Summary – June 2018 YTD

2016-17 Actual		2017/18 Budget Estimate - Full Year	2017/18 Additional Funding Approval	2017/2018 Total Budget & Approval	2017/18 Actual - Full Year		Variance
('000)		('000)	('000)	('000)	('000)	('000)	%
58,531	Value-added Tax	58,745	0	58,745	63,509	4,764	8
24,386	Income Tax	23,057	0	23,057	28,689	5,632	24
16,154	Company Tax	12,900	0	12,900	21,760	8,860	69
14,335	Import Levies	13,548	0	13,548	14,165	617	5
1,757	Withholding Tax	0	0	0	1,842	1,842	100
10,234	Departure Tax	10,159	0	10,159	10,623	464	5
125,397	Total Taxation Revenue	118,409	0	118,409	140,587	22,178	19
7,012	Trading Revenue	6,169	0	6,169	7,707	1,538	25
1,030	Higher Modality Partnership NZ	0	0	0	0	0	0
8,577	Core Sector Support	7,766	0	7,766	7,730	(36)	-0
29,505	Other Revenue	22,190	0	22,190	26,587	4,397	20
171,521	Total Revenue	154,534	0	154,534	182,612	28,077	18

Value Added Tax

Value Added Tax (VAT) revenue collected for the period was \$4.76 million above Budget estimate (8 per cent), attributed to the increased economic activities evident by the increased visitor numbers.

Income Tax

Income Tax revenue collected for the period was \$5.63 million above Budget estimate (24 per cent). This was attributed mainly to the additional income tax recovered under the tax amnesty. The variance was also likely to have been impacted by the budgetary reduction in the 2017/18 forecasted income tax, due to legislation changes to reduce tax brackets from 27.5 per cent to 27 per cent and 17.5 per cent to 17 per cent. However, these changes only came into force on 1 January 2018, and the full financial impact on income tax collected would be seen in the 2018/19 year rather than in 2017/18.

Company Tax

Company Tax collected was \$8.86 million above Budget estimate (69 per cent). The variance can be attributed to the additional company tax recovered under the tax amnesty. It is also likely the decreased forecasting of company tax for the 2017/18 year also impacted on the scale of the variance in light of the additional company tax collected under the tax amnesty. Additional Company tax would have also come from additional profits made by the business community due to increased tourist numbers.

Import Levies

Import levies collected was \$0.62 million above Budget (5 per cent). Increased economic activities resulted in increased imports.

Withholding Tax

Withholding tax were \$1.84 million (100 per cent) collected from interests earned on bank deposits. This was not budgeted in the 2017/18 Budget estimate.

Departure Tax

Departure tax collection were \$0.46 million above Budget estimate (5 per cent) primarily due to higher visitors to the Cook Islands as reported.

Core Sector Support

The Core Sector funding were 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. \$7.73 million were remitted from the Official Development Assistance (ODA) fund towards core sector support for the period ending 30 June 2018.

Table 10
General Government Other Revenue Summary - June 2018 YTD

2016-17 Actual		2017/18	2017/18	2017/2018	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Actual - Full Year		
('000)		('000)	('000)	('000)	('000)	('000)	%
324	FSC Fees	262	0	262	262	0	0
886	Immigration Fees	587	0	587	927	340	58
63	IMO Subscription - Maritime CI	66	0	66	90	24	36
37	Court Services	50	0	50	46	(4)	(9)
67	Instant Fines	20	0	20	107	87	435
16,996	Fishing Licences	11,505	0	11,505	8,617	(2,888)	(25)
1,548	Fisheries US Treaties	1,200	0	1,200	4,890	3,690	308
2	Research Fees	1	0	1	1	0	0
27	Permits	24	0	24	27	3	12
0	Banana Court -Dividends	10	0	10	10	0	0
183	Bank of the Cook Islands	248	0	248	248	0	0
35	Te Aponga - Dividends	319	0	319	255	(64)	(20)
-	Extraordinary SOE-Dividends	60	0	60	60	0	0
163	Bluesky - Dividends	1,150	0	1,150	2,720	1,570	137
354	Numismatic Revenue	350	0	350	511	161	46
0	Boarder Management Fees	120	0	120	0	(120)	(100)
87	Drivers Licenses	70	0	70	214	144	206
888	Motor Vehicle Registrations	875	0	875	922	47	5
2,129	Interest on balances	1,740	0	1,740	2,360	620	36
1,286	Interest on loans to subsidiaries	733	0	733	1,158	425	58
25	Foreign Investment Fees	26	0	26	29	3	13
545	Upper Air Management Agreement	746	0	746	545	(201)	(27)
61	Shipping Reg/Licenses	268	0	268	224	(44)	(16)
10	Intl Shipping Licenses	10	0	10	10	0	0
42	Liquor Licensing	60	0	60	75	15	25
140	Tattslotto Grants	120	0	120	172	52	43
2	Censorship Fees	10	0	10	3	(7)	(70)
284	Circulating Currency- Coins	876	0	876	638	(238)	(27)
0	Employers Liability	75	0	75	0	(75)	(100)
3	Motor Vehicle Dealers	5	0	5	3	(2)	(40)
3,235	Gain on Forex	0	0	0	1,252	1,252	100
83	Other Misc Revenue	604	0	604	211	(393)	(65)
29,505		22,190	0	22,190	26,587	4,397	20

Other Crown Revenue was \$4.40 million above the 2017/18 Budget estimate (20 per cent).

This was primarily due to higher than expected receipt from Fisheries US Treaties (\$3.69 million), followed by Gain on foreign exchange (\$1.25 million) and higher interest earned on term deposits (\$0.62million). Offsetting these were lower than estimates collection in fishing licences (\$2.89 million) as a result of fewer than expected issuing of licences.

Dividends that were not received by the end of the reporting period. The table below illustrates dividend income received compared to accruals as at 30 June 2018.

Dividend Income Statement as at 30 June 2018				
	2017/2018 Total Budget & Approval ('000)	Received as at 30 June 2018 ('000)	Accrued as at 30 June 2018 ('000)	Total Dividends as at 30 June 2018 ('000)
Banana Court -Dividends	10	0	10	10
Bank of the Cook Islands	248	0	248	248
Te Aponga - Dividends	319	255	0	255
Extraordinary SOE-Dividends	60	0	60	60
Bluesky - Dividends	1,150	2,720	0	2,720
	1,787	2,975	318	3,293

Figure 1
Operating Revenue Trends

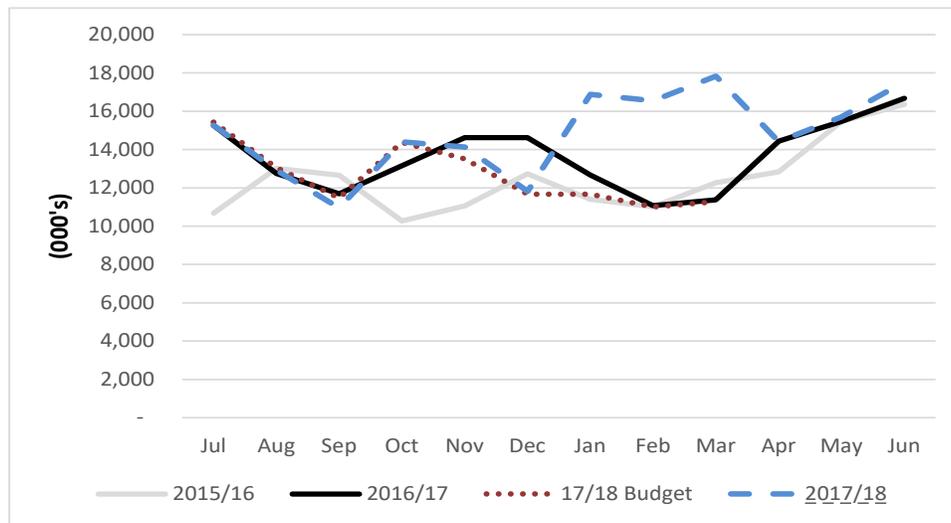


Figure 1 shows the trends over the previous two financial years against the 2017/18 Budget. The current year collection was well above both Budget estimates and prior years during the low season December to April. This was a result of increased economic activities reported previously where tourist numbers were higher than expected.

General Government Expenditure Analysis

Ministries, Agencies & Ministerial Office

Table 11

Ministries, Agencies & Ministerial Office Appropriation Analysis - June 2018 YTD

2016/17 Actuals	2017/18 Budget Estimate - Full Year	2017/18 Additional Funding Approval	2017/201 8 Total Budget & Approval	2017/18 Actual - Full Year	Variance	
('000)	('000)	('000)	('000)	('000)	('000)	%
<u>Operating Revenue</u>						
5,777 Trading Revenue	5,068	0	5,068	6,368	(1,300)	(20)
5,777 Total Trading Revenue	5,068	0	5,068	6,368	(1,300)	(20)
<u>Operating Expenditure</u>						
38,096 Personnel	46,073	0	46,073	41,006	5,067	12
13,900 Operating	17,293	0	17,293	16,895	398	2
3,091 Depreciation	3,161	0	3,161	2,970	191	6
55,087 Gross Appropriation	66,526	0	66,526	60,871	5,655	21
49,310 Net Appropriation	61,458	0	61,458	54,503	6,955	13

Trading Revenue

Trading Revenue for the period ending 30 June 2018 was \$1.30 million (20 per cent) higher than Budget estimates. Excess trading revenue was mainly from the Ministry of Justice with its fees, MFEM from its overtime recovery collection and Police from Te Kukupa charters, Police reports and theory and practical tests for driver's licenses. Of the 14 Ministries with trading revenue, 9 have exceeded and 5 did not meet their proposed revenue target due.

Personnel

Personnel Expenditure for the period was \$5.07 million lower than Budget estimates (12 per cent). The contributing Agencies for the variance to Budget estimates was mainly from Education, ICI and MFAI through vacant positions both locally and abroad. 25 out of the 32 Ministries underspent and five overspent.

Operating

Operating Expenditure was lower than Budget estimates by \$0.40 million (2 per cent). Underspent were reported mainly by Education, Pearl Authority and OPM. Education underspent due to the effect of Budget carry forward for ongoing projects, Pearl Authority underspent due to timing as some of their planned activities has been deferred for early 2018/19 and OPM made saving in general. 21 Ministries under spent and 11 overspent.

Depreciation

Depreciation Expenditure was above Budget estimates by \$0.19 million (6 per cent). Police was the main contributor as its major assets were not included in the current financial year. OPM contributed mainly through new acquisition of assets without the applicable depreciation being budgeted. 24 Ministries were within Budget estimate, eight overspent due to insufficient depreciation estimate.

Pa Enuā (Outer Islands)

Table 12

Pa Enuā (Outer Islands) Appropriation Analysis – June 2018 YTD

2016/17 Actuals	2017/18 Budget Estimate - Full Year	2017/18 Additional Funding Approval	2017/2018 Total Budget & Approval	2017/18 Actual - Full Year	Variance	
('000)	('000)	('000)	('000)	('000)	('000)	%
Operating Revenue						
1,235 Trading Revenue	1,101	0	1,101	1,339	238	22
1,235 Total Trading Revenue	1,101	0	1,101	1,339	238	22
Operating Expenditure						
4,850 Personnel	6,461	0	6,461	5,936	525	8
2,167 Operating	2,171	0	2,171	2,329	(158)	(7)
1,041 Depreciation	1,124	0	1,124	1,133	(9)	(1)
8,058 Gross Appropriation	9,755	0	9,755	9,398	357	4
6,823 Net Appropriation	8,654	0	8,654	8,059	119	1

Trading Revenue

Trading Revenue for the period ending June 2018 was \$0.24 million (22 per cent) higher than the Budget estimates. Eight Islands had exceeded their trading revenue with Mauke and Mangaia continuingly having an increase in their hireage of machinery, boating and reefing and electricity usage and aggregate sales, while two Islands did not meet their Budget estimates.

Personnel

Personnel Expenditure was below Budget estimates by \$0.53 million (8 per cent). All Islands had savings mostly due to unfilled vacancies.

Operating

Operating Expenditure was \$0.16 million (7 per cent) above Budget estimates. Six Islands had savings while four Islands exceeded their operational budgets with numerous increased activities relating mostly to renewable energy projects in the Pa Enuā.

Depreciation

Depreciation expenditure was slightly above Budget estimates by \$0.09 million (1 per cent).

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 Actual -Full Year (‘000)	Variance (‘000)	%
Administered Payments	37,565	1,902	39,467	33,233	6,234	16
Payment of Behalf of Crown (POBOCs)	25,120	800	25,919	24,851	1,069	4
Total	62,685	2,701	65,386	58,084	7,302	11

Administered Payments

Administered payments were below Budget estimates by \$6.23 million (16 per cent). Administered payments are grouped into Compensation of employees, Subsidies, Use of goods and services, Social Assistance and Other expenses.

Compensation of employees was \$1.39 million (33 per cent) below Budget estimates with savings in Public Sector Strengthening and Tax Amnesty Refund.

Subsidies was \$1.00 million (8 per cent) below Budget estimates primarily a result of savings in the Air New Zealand underwrite due to increased passengers from the Los Angeles and Sydney routes.

Use of Goods and Services had a saving of \$1.15 million (9 per cent) against Budget estimates with Provision for Land Rental, Land Rent Review, and National Superannuation Fund attributed to this saving. Spending on Land Rental has been delayed due to court processes and will be processed in the 2018/19.

Furthermore, Social Assistance was \$0.71 million (21 per cent) below Budget estimates due to lower government funded scholarship payments and welfare payment allowances for the period.

Other expenses were also below Budget estimates by \$1.98 million (33 per cent) due to the delay in the establishment of a water utility for Rarotonga followed by saving in the production of new currency, transportation and sale of old coins' expenditure.

Table 14
Administered Payments – June 2018 YTD

Administering Ministry	Administered Payment	2017/18	2017/18	2017/2018	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Actual - Full Year	('000)	%
		('000)	('000)	('000)	('000)	('000)	%
Compensation of Employees							
Cook Islands Investment Corporation	Infrastructure Committee	75	0	75	75	0	0
Cook Islands Investment Corporation	Joint Venture with Seabed Minerals Authority	130	0	130	67	63	48
Cook Islands Investment Corporation	Special Projects Units	420	0	420	355	65	16
National Environment Service	National Heritage Trust	82	0	82	81	1	2
Finance and Economic Management	Public Sector Strengthening-processes and systems MFEM	160	275	435	141	295	68
Finance and Economic Management	Tax Amnesty Refund	500	0	500	1	499	100
Finance and Economic Management	Salary Adjustment Administered Fund	150	0	150	83	67	45
Internal Affairs	Price Tribunal	30	0	30	19	11	38
Justice	Project to bring land records up to date	120	0	120	120	(0)	(0)
Justice	Judges Allowances	177	0	177	171	6	3
Public Service Commission	HOM's Salaries	1,230	0	1,230	1,255	(25)	(2)
Prime Minister's Office	Public Sector Strengthening	600	0	600	191	409	68
Cook Islands Investment Corporation	School Security	250	0	250	250	0	0
Transport	Director of Civil Aviation	56	0	56	56	(0)	(0)
Total Compensation of Employees		3,981	275	4,256	2,864	1,392	33
Use of Goods and Services							
Marine Resources	WCPFC Conference	50	0	50	49	1	2
Cultural Development	Te Maeva Nui Constitution Celebrations	723	0	723	750	(27)	(4)
Cook Islands Investment Corporation	Provision for Land Rentals	1,500	0	1,500	1,038	462	31
Cook Islands Investment Corporation	Land Rent Reviews #	642	375	1,017	788	229	23
Finance and Economic Management	HRMIS Tax Amnesty Change	100	0	100	100	0	0
Education	Tertiary Training Institutions	760	0	760	750	10	1
Finance and Economic Management	Audit of Crown Accounts	30	0	30	0	30	100
Finance and Economic Management	Border Management System Maintenance	135	0	135	135	0	0
Finance and Economic Management	National Superannuation Fund	243	0	243	67	175	72
Finance and Economic Management	Standard and Poors Subscription	55	0	55	54	1	2
Foreign Affairs	Cook Islands Student Association Support	5	0	5	0	5	100
Head Of State	Domestic Hosting Entertainment	15	0	15	13	2	10
Head Of State	QR Social Responsibility Fund	8	0	8	5	3	40
Health	Hosting of the 2017 Pacific Health Ministers' Meeting #	50	66	116	83	33	28
Health	Pharmaceuticals	668	200	868	868	0	0
Infrastructure Cook Islands	Outer Islands Equipment Repairs of Unanticipated Breakdowns	200	0	200	197	3	2
Infrastructure Cook Islands	Waste Management	545	0	545	494	51	9
Internal Affairs	Lease extension	72	0	72	72	0	0
Internal Affairs	Vaka Maintenance	400	0	400	401	(1)	(0)
Parliamentary Services	Pacific Legislatures for Population and Governance (PLPG)	52	0	52	52	0	0
Parliamentary Services	Special Select Committee #	10	63	73	66	6	8
Parliamentary Services	Remuneration Tribunal Committee	0	28	28	3	25	89
Cultural Development	Te Kopapa Reo Maori Board	15	0	15	12	3	19
Prime Minister's Office	Social Responsibility Fund	243	0	243	243	0	0
Prime Minister's Office	Undersea Fiberoptic Cable	35	0	35	34	1	4
Police	Search and Rescue	20	0	20	18	2	9
Police	Serious Crime Investigations	50	0	50	49	1	2
Police	Te Kukupa - Fuel Contribution	140	0	140	140	(0)	(0)
Police	Youth Program	45	0	45	1	44	98
Tourism Corporation	Marketing Resources - Tourism Growth Strategy	5,400	0	5,400	5,400	(0)	(0)
Foreign Affairs	Returned Services Association	5	0	5	3	2	34
Prime Minister's Office	Community Support Fund	100	0	100	97	3	3
Environment	E - Waste & Whitewear Collection	100	0	100	15	85	85
Total Use of Goods and Services		12,415	731	13,146	11,997	1,150	9

Table 14 (continue)
Administered Payments – June 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 Actual - Full Year ('000)	Variance ('000)	%
Subsidies							
	University of the South Pacific Contribution	285	0	285	241	44	15
	Air New Zealand - Subsidies	12,000	0	12,000	11,467	533	4
	Provision for Inter Island Shipping	500	0	500	77	423	85
	Subsidy of audio/visual broadcasting in Pa Enea	45	0	45	40	5	12
	Total Subsidies	12,830	0	12,830	11,824	1,006	8
Social Assistance							
	Government Funded Scholarships	910	0	910	488	422	46
	Patient Referrals	550	350	900	900	0	0
	Nursing School	234	0	234	278	(44)	(19)
	NCD Fund	195	0	195	195	0	0
	Oxygen Plant	30	0	30	30	0	0
	Welfare Payments - Allowances	983	0	983	695	288	29
	Legal Aid	40	0	40	0	40	100
	Total Social Assistance	2,942	350	3,292	2,586	706	21
Other Expense							
	Establishment and implementation of a water utility for Rarotonga	1,400	0	1,400	100	1,300	93
	Private School Funding	2,147	0	2,147	2,147	0	0
	Fisheries Development Facility	200	0	200	199	1	0
	Fisheries Development Facility in the Pa Enea	100	0	100	99	1	1
	CISNOC Grant	220	0	220	220	0	0
	SIF - Cook Islands Government Contribution	881	485	1,366	1,115	251	18
	2017 Baseline Funding for Conduct of the National Census	0	60	60	14	46	77
	Conduct of a Labour Force Survey	100	0	100	0	100	100
	Production of new currency, transportation and sale of old coins	350	0	350	68	282	81
	Total Other Expenses	5,398	545	5,943	3,962	1,981	33
	Grand Total	37,565	1,902	39,467	33,233	6,234	16

Payments On Behalf of Crown (POBOC)

The overall saving in POBOC expenditure of \$1.07 million (4 per cent) was mainly attributed to the saving in:

- Compensation to Employees (below \$0.05 million) from Parliamentary Superannuation,
- Use of Good and Services (below \$0.58 million) from Audit fees and Civil List –Constituency visits.
- Subsidies (below \$0.62 million) as a result of TAU –social assistance subsidy and Ports Authority social assistance subsidy.
- Other expenses (below \$0.15 million) due to lower spending on international subscriptions and Pacific Catastrophe Risk insurance.

Offsetting these savings was a higher expenditure on Social Assistance (\$0.33 million) due to greater welfare payments of old age pensions and child benefits.

Table 15
Payments on Behalf of Crown – June 2018 YTD

Administering Ministry	POBOC	2017/18	2017/18	2017/2018	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Actual - Full Year	(000)	%
		(000)	(000)	(000)	(000)	(000)	%
Compensation of Employees							
Finance and Economic Management	Parliamentary Superannuation	180	0	180	125	55	30
Audit (PERCA)	PERC Salaries and Administration Costs	43	0	43	35	7	17
Parliamentary Services	Civil List - Personnel	2,011	12	2,023	2,031	(8)	(0)
Parliamentary Services	House of Ariki	178	50	228	230	(2)	(1)
Total Compensation of Employees POBOCs		2,412	62	2,474	2,422	53	2
Use of Goods and Services							
Audit (PERCA)	Audit Fees	96	0	96	0	96	100
Justice	General Elections, Petitions and By-Elections	0	300	300	0	300	100
Parliamentary Services	Civil List - Constituency Visits	170	0	170	90	80	47
Parliamentary Services	Parliamentary Sitting Expenses	120	0	120	84	36	30
Parliamentary Services	MP Travel and Allowances (local and overseas)	41	288	329	331	(2)	(1)
Parliamentary Services	QR Travel and Allowances (local and overseas)	109	0	109	106	3	2
Foreign Affairs	IMO - Maritime Cook Islands	63	0	63	0	63	100
Total Use of Goods and Services POBOCs		599	588	1,187	612	575	48
Subsidies							
Finance and Economic Management	Apex - Profit Guarantee	750	0	750	618	132	18
Cook Islands Investment Corporation	BCI - social assistance subsidy	120	0	120	120	0	0
Cook Islands Investment Corporation	Airport Authority subsidy	2,048	0	2,048	2,048	0	0
Cook Islands Investment Corporation	Ports Authority - subsidy	110	0	110	0	110	100
Cook Islands Investment Corporation	Te Aponga Uira - social assistance subsidy	380	0	380	0	380	100
Total Subsidies POBOCs		3,408	0	3,408	2,786	622	18
Social Assistance							
Internal Affairs	Welfare Payments	17,354	0	17,354	17,682	(329)	(2)
Total Social Assistance POBOCs		17,354	0	17,354	17,682	(329)	(2)
Other Expense							
Finance and Economic Management	Pacific Catastrophe Risk Insurance	121	0	121	0	121	100
Finance and Economic Management	CICC - Training Center Construction Grant	600	150	750	650	100	13
Foreign Affairs	International Subscriptions	626	0	626	699	(73)	(12)
Total Other Expenses POBOCs		1,346	150	1,496	1,349	148	10
Grand Total		25,120	800	25,919	24,851	1,069	4

Other General Government Operating Expenditures

Table 16
Other General Government Operating Expenditure

Actual YTD 2016/17 Category of Expense (‘000)	2017/18	2017/18	2017/2018	2017/18	Variance	
	Budget Estimate - Full Year (‘000)	Additional Funding Approval (‘000)	Total Budget & Approval (‘000)	Actual - Full Year (‘000)	(‘000)	%
250 Contingency Funds - Operating	100	1016	1116	1,036	81	7
2,762 Crown Infrastructure Depreciation	4,603	0	4603	4,603	0	0
453 Transfer to Emergency Response Trust Fund	50	0	50	50	0	0
411 Transfer to Reserve Trust Fund	592	0	592	592	0	0
1,772 Depreciation Contingency Reserve	3,957	0	3957	3,957	0	0
1,153 Debt Servicing Interest	2,063	0	2063	2,196	(133)	(6)
1,392 Foreign Exchange (Gain)/Loss	0	0	0	4,598	(4,598)	100
8,193 Total Other Expenses	11,365	1016	12,382	17,032	(4,651)	(38)

Other operating spending for the General Government sector were 38 per cent above Budget estimates. Foreign exchanges movements and debt interest expenditure attributed to this variance as a result of the New Zealand dollar weakening against major trading currencies.

Figure 2
Net Operating Expenditure Trends

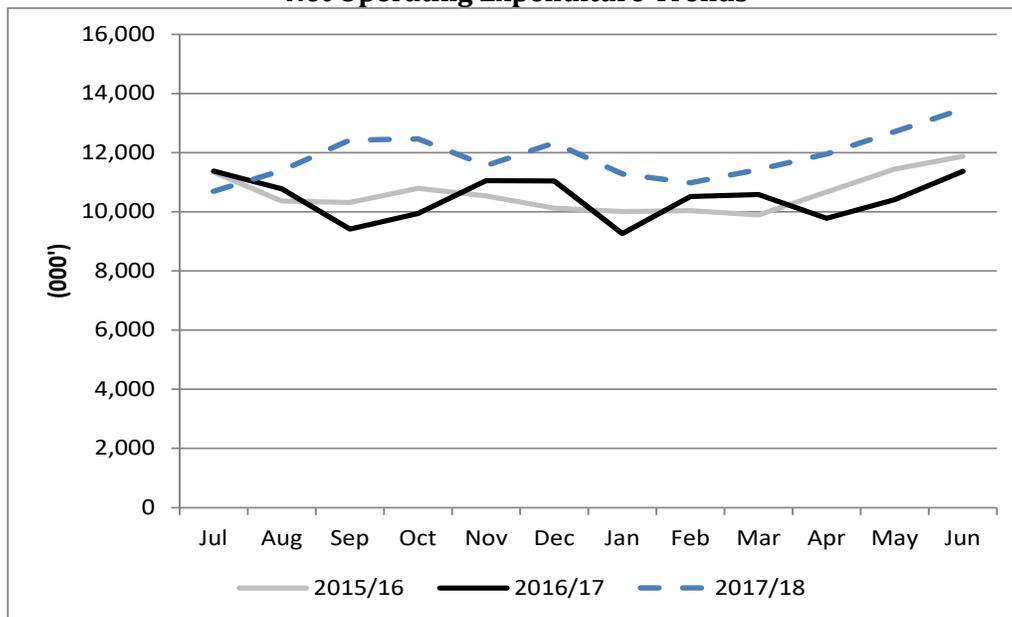


Figure 2 demonstrates the trend over the previous two financial years. The current trend reflecting higher expenditure compared to prior years as expected with the increased Government spending as approved by the 2017/18 Budget Appropriation.

Capital Expenditure

Table 17
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2017/18	2017/18	2017/2018	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Actual - Full Year	(‘000)	%
		(‘000)	(‘000)	(‘000)	(‘000)	(‘000)	%
AITUTAKI ISLAND GOVERNMENT							
Aitutaki	Aitutaki road sealing	0	912	912	863	49	5
		0	912	912	863	49	5
AGRICULTURE							
Rarotonga	Vanilla Shade House	100	0	100	72	28	28
		100	0	100	72	28	28
COOK ISLANDS INVESTMENT CORPORATION							
Rarotonga	Apii Nikao design, demolition, construction supervision and quality assurance	300	0	300	472	(172)	(57)
Aitutaki	Orongo Development Master Plan and Centre reconstruction (Ports Authority)	250	0	250	0	250	100
Rarotonga	Vaikapuangi Government Building - design	450	100	550	0	550	100
Rarotonga	Tereora College Stage 1 Works	1462	740	2,202	2,099	103	5
Rarotonga	Te Mato Vai - Stage 1: road & pipeline easement & Stage 2 land acquisition for water intakes	0	650	650	0	650	100
Pukapuka	Pukapuka Hospital	0	500	500	0	500	100
Pukapuka	Government House Pukapuka	0	21	21	0	21	100
Rarotonga	Repairs TSA, Police and Justice building	0	340	340	0	340	100
Rarotonga	Arenikau Water Storage tank	315	0	315	0	315	100
		2777	2,351	5,128	2,571	2,557	50
EDUCATION							
National	Fund to be Prioritised by Education	360	0	360	341	19	5
		360	0	360	341	19	5
HEALTH							
National	Fund to be Prioritised for Technical Equipment	275	32	307	307	0	0
Rarotonga	Medical Service Bed End Panels	310	50	359	281	78	22
Rarotonga	Hospital Incinerator	150	0	150	2	148	99
Rarotonga	Ambulance	250	0	250	2	248	99
		985	82	1,066	592	474	44
INTERNAL AFFAIRS							
Rarotonga	Vaka Maintenance Capital Projects	50	0	50	45	5	10
		50	0	50	45	5	10
MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT							
National	Banking payments system	635	0	635	0	635	100
Rarotonga	FMIS purchase and implementation	420	0	420	125	295	70
Rarotonga	AEOI IT System	500	0	500	378	122	24
Rarotonga	Water & Sanitation Programme (WASP)	2081	0	2,081	174	1,907	92
Rarotonga	Te Mato Vai - Management Fee	0	386	386	0	386	100
Rarotonga	Te Mato Vai - Rarotonga Water Upgrade	13000	0	13,000	4,849	8,151	63
		16636	386	17,022	5,526	11,496	68
JUSTICE							
National	Online business registry	200	0	200	200	0	0
		200	0	200	200	0	0

Table 17 (continue)
Capital Expenditure

Ministry/Island	PROJECT/PROGRAMME	2017/18	2017/18	2017/2018	2017/18	Variance	
		Budget Estimate - Full Year	Additional Funding Approval	Total Budget & Approval	Actual - Full Year		
		('000)	('000)	('000)	('000)	('000)	%
INFRASTRUCTURE COOK ISLANDS							
Atiu	Atiu Airport Runway Stabilisation	427	27	455	101	354	78
Atiu	Atiu Road Sealing	242	15	257	7	250	97
Aitutaki	Establishing new water galleries	468	0	468	49	418	89
National	Bitumen Truck	0	217	217	202	14	7
Rarotonga	Bridges & Drainage	1,810	(992)	819	165	653	80
Rarotonga	Muri Road Widening	0	24	24	39	(15)	(62)
Mangaia and Palmerston	Cargo barge repair program	0	15	15	13	2	11
Various	Cyclone Centre Program	390	0	390	67	324	83
Rarotonga	Avatiu Valley Stream embankment	36	359	395	0	395	100
Rarotonga	Rarotonga Road Sealing Programme	2,000	353	2,353	1,167	1,186	50
Mangaia	Mangaia Road Sealing	495	0	495	192	303	61
Mangaia, Atiu, Mauke	HV Transport Trailer	0	106	106	97	9	9
Mangaia	HIAB (includes man cage & fork)	0	167	167	75	92	55
Mangaia	Central water project	0	12	12	11	1	9
Mangaia	Tamarua Water Project	250	0	250	116	134	54
Manihiki	Airport Terminal - construction	0	56	56	87	(31)	(56)
Manihiki	Lagoon	150	0	150	9	141	94
Mitiaro	Manea Games Upgrade	0	23	23	21	2	9
Mitiaro	Water Upgrade	247	0	247	78	169	68
Penrhyn	Omoka Harbour Upgrade	250	0	250	0	250	100
Pukapuka	Upgrade of Airport terminal buildings	122	0	122	75	46	38
Pukapuka	Yato Cargo Shed Upgrade	0	8	8	8	0	1
Rakahanga	Large boat & outboard motor	0	84	84	84	0	0
Rakahanga	Rakahanga Cyclone Center	550	0	550	23	527	96
Pa Enea	Pa Enea Machinery Shelters	0	43	43	42	0	0
Rarotonga	Road Network Maintenance	630	3	633	724	(91)	(14)
Rarotonga	Rutaki Foreshore Rock Revetment	0	70	70	117	(47)	(67)
Rarotonga	Tip Truck	100	0	100	54	46	46
Rarotonga	TMV Titikaveka backroad ringmain pipeline	0	127	127	0	127	100
Rarotonga	Water Network Maintenance	500	32	532	0	532	100
		8,668	748	9,416	3,625	5,791	62
OFFICE OF THE PRIME MINISTER							
Atiu	Atiu Power Distribution	660	123	783	418	364	47
Aitutaki	Aitutaki Renewable Energy	2800	0	2,800	496	2,304	82
Pa Enea	Renewable Energy - Capital works	0	10,948	10,948	6,817	4,131	38
National	Government IT Network	40	0	40	40	0	0
National	Renewable Management Project Management and Support	250	0	250	247	3	1
National	Manatua Polynesian Cable (Loan Component)	10,870	0	10,870	0	10,870	100
		14,620	11,071	25,690	8,018	17,672	69
ADMINISTERED BY MFEM							
National	Capital Distribution Fund	400	0	400	97	303	76
Pa Enea	Outer Islands Small Capital Fund	110	0	110	90	20	18
	Aitutaki	16	0	16	16	0	1
	Atiu	12	0	12	12	0	3
	Mangaia	12	0	12	5	7	55
	Manihiki	10	0	10	0	10	100
	Mauke	10	0	10	10	1	5
	Mitiaro	8	0	8	8	0	5
	Palmerston	10	0	10	9	1	14
	Penrhyn	12	0	12	12	0	1
	Pukapuka-Nassau	12	0	12	12	0	0
	Rakahanga	8	0	8	8	0	3
		510	0	510	188	322	63
GRAND TOTAL		44,904	15,550	60,454	22,041	38,413	64

Spending on Capital expenditure were below Budget estimates by \$38.41 million (64 per cent). The variance was mainly due to timing of spending and the ability to contract for services by the end of June 2018. The delays meant that these projects are now expected to roll over to the 2018/19 financial year.

Capital projects Te Mato Vai stage One, road and pipe easement (below \$0.65 million) and Te Mato Vai stage two (below \$8.15 million) has been hindered by land matters. Landowners meetings are an ongoing process, as the Cook Islands Government works toward obtaining consent from landowners to enable site preparations and construction. However, the contract for the design and construction of Stage 2 was awarded to McConnell Dowell in August 2017. McConnell Dowell has been mobilized with construction commencing early March 2018. There has been some delay due to the weather which have destroyed some of the road access to the intakes, thus causing added delays.

Water and Sanitation Programme (WASP) was below Budget estimates (\$1.91 million) as a result of legal matters and technical issues resulting in delays.

Water Network Maintenance was below Budget estimates (\$0.53 million) as a result of scheduling.

The Rarotonga Road Sealing Programme has also experienced delays (below \$1.19 million) due to scheduling of project activities.

Aitutaki Renewable Energy capital project (below \$2.30 million) was a result of delays in project activities.

Pa Enua Renewable Energy capital works were also below Budget estimates (below \$4.13million) due to scheduling issues. This is now scheduled to be carried out in 2018/19.

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 Manatua's main trunk, will connect directly to Samoa and French Polynesia 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.

In February 2018, bids were invited for the design and construction of the cable which resulted in Tyco Electronics Subsea Communications (TESubCom) being offered the supply of Manatua cable. The Consortium are now working through the contracting process. It is anticipated that Manatua cable will go live in 2020.

For the Cook Islands, Avaroa Cables Ltd is the Manatua Consortium member. The Government of New Zealand has granted \$15.0 million to support the project, and a Grant Funding Agreement was signed between the Governments of New Zealand and the Cook Islands for the disbursement of the funds in April 2018. The Asian Development Bank has approved a OCR Loan allocation of up to US \$15.0 million to assist in (a) financing the sections that connect Rarotonga and Aitutaki to the main section of the cable system; (b) finance construction of the landing stations in Rarotonga and Aitutaki, (c) finance the setting up of a Project Management Unit (PMU) to support the implementing agency and (d) to co-finance the main section of the cable system proportionate with the Cook Islands' share of the Manatua cable.

Crown Gross Debt

The total gross debt by the Crown at the end of the financial period 30 June 2018 was \$101.29 million, an increase of \$1.26 million from the March 2018 quarter (Table 19) due mainly to the unfavourable movements in foreign exchange rates (\$1.43 million) and the further drawdown of the Renewable Energy Loan (\$0.65 million) offset by loan repayments of \$0.83 million

General Government Net Debt

The general government's 'Net Debt' is the total gross debt net of the Loan Repayment Fund (LRF) and SOE debts. General Government Net Debt at 30 June 2018 was \$58.46 million, a \$1.63 million increase from the March 2018 quarter.

This increase was attributable to the drawdown of the Renewable Energy Project of \$0.65 million and unfavourable movement in exchange rates against the New Zealand Dollar (NZD) of \$1.44 million. Offsetting these were principal repayments of \$0.46 million.

Table 18
Average Exchange Rates Used

Foreign Exchange Currency	30-Mar-18	30-Jun-18	Change to March 18
EUR	0.5942	0.5945	0.0003
USD	0.7097	0.6941	(0.016)
CNY	4.6381	4.4861	(0.152)
SDR	0.4983	0.4871	(0.011)

The New Zealand dollar weakened against all major trading currencies.

Figure 3
Composition of Crown Debt by Currency

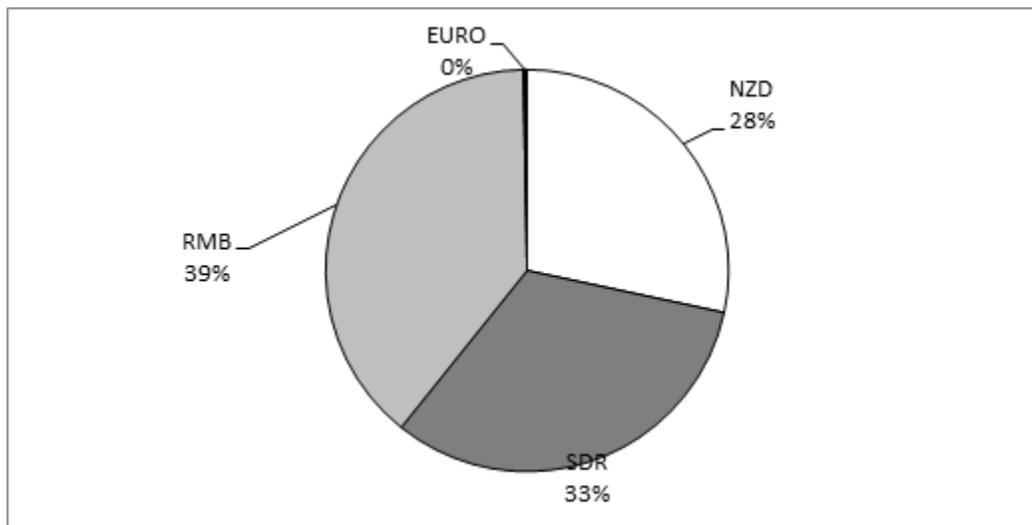


Table 19
Crown Debt – June 2018 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	March 2018 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	June 2018 Balance ('000)	Change March 18 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	549	(265)	(4)	0	280	(269)
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	9,746	0	411	0	10,157	411
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	25,176	0	1,062	0	26,238	1,062
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	267	0	(1)	0	266	(1)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	353	(39)	(1)	0	313	(40)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	1,542	0	(2)	0	1,540	(2)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	3,879	0	(5)	0	3,874	(5)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,028	(37)	(1)	0	990	(38)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	355	(13)	0	0	342	(13)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	395	0	(1)	0	394	(1)
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,411	0	(3)	0	2,408	(3)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,066	0	(2)	0	2,064	(2)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	4,710	0	(6)	0	4,704	(6)
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	823	0	(1)	0	822	(1)
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,074	(70)	0	0	2,004	(70)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,421	(37)	(3)	0	3,381	(40)
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,263	(123)	0	0	9,140	(123)
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	7,356	(190)	(9)	0	7,157	(199)
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,133	(54)	0	0	5,079	(54)
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	5,740	0	0	0	5,740	0
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	6,533	(1)	0	0	6,532	(1)
ADB 3913 Renewable Energy	NZD	12,980	Jan-15	Jun-36	7,217	0	0	650	7,867	650
Total Gross Borrowings					100,037	(829)	1,434	650	101,292	1,255
Less Loan Reserve					21,461	0	0	0	21,461	0
Net Borrowing by the Crown					78,576	(829)	1,434	650	79,831	1,255
Less Avatiu Port Development					21,752	(367)	(9)	0	21,376	(376)
Net Borrowing by the General Government					56,824	(462)	1,443	650	58,455	1,631

Official Development Assistance (ODA)

Official Development Assistance was appropriated at the total value of \$77.76 million in the 2018 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 2018.

The following are key monitoring outcomes for estimated year end of 2018. Total spend illustrates programme/project expenditures from July 2017 to June 2018.

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

Development Partner	2017/18	2017/18 Actual- Full		Variance
	Budget Estimate- Full Year ('000)	Year ('000)	Year ('000)	%
Asian Development Bank	652	95	557	85
Australia	227	125	102	45
China	11,734	21,545	-9,811	-84
European Union	8,902	2,424	6,478	73
New Zealand	39,846	25,088	14,759	37
United Nations	1,918	824	1,094	57
Global Environment Facility	9,670	5,796	3,874	40
Green Climate Fund	870	215	655	75
India	260	285	-24	-9
Other	3,684	1,619	2,065	56
Total	77,763	58,015	19,748	25

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 Organisation for Economic Cooperation and Development (OECD) agreed to provide the Cook Islands until the end of 2018 to develop Gross National Income (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.

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 June 2018 with an estimated cost of \$14 million.

CIIC, the Implementing Agency, 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	June Quarter 2018 Progress
Online Companies Registry Ministry of Justice	<p>Procurement specifications were prepared by ADB PSDI and socialized with Government. These have been finalized by both parties. Early June ADB began the tender process to follow ADB procurement guidelines. The close date was 30 June. Six expression of interests have been received and the bid evaluation process has begun.</p> <p>PSDI have also drafted all of the legislative forms needed to support the commencement of the 3 Acts. These have been reviewed and approved by the MoJ.</p> <p>For the self- sustainability of the online registry PSDI have also been working with the MoJ to prepare financial models in order to ensure the registry is sustainable and also the cost effective for all.</p>
Audit House Keeping Treasury Division-MFEM	<p>All Agencies and Ministry have submitted 2017 financial statements for audit with the exception of one. In addition to clearing back logs all 24 agencies will receive audit housekeeping assistance for their 2018 audit files. Progress report for the June 2018 quarter was received.</p>
Cook Islands Aviation International Compliance Ministry of Transport (MOT)	<p>The Director of Civil Aviation (DCA) contract has been extended for another 12 months to progress the current workplan and negotiate safety oversight services that can be transferred to NZ from PASO. Drafts of all 50 adoption statements for each Civil Aviation Rule Part have been gazetted. Compliance to ICAO has increased from 5% to 30% through the workplan items completed so far.</p>
Ministry of Transport International Compliance Quality Management System	<p>TA was in country from 11-15 June for kick off and initial information gathering. An initial risk assessment was carried out with the Ministry of Transport identifying procedures and processes critical to addressing these risks, a report on the findings is due in July.</p>

Occupational Health and Safety Legislation Review Ministry of Internal Affairs	TA contract awarded to Shaw Idea who began implementation of the Cook Islands Occupational Safety and Health (OSH) National Reform Project. The project has progressed to schedule and is well on track to deliver planned outputs and outcomes so far and has met with a very positive reaction from all stakeholders.
Prison Review & Warden Training Office of the Prime Ministry & Prison Services - Ministry of Justice (MOJ)	CSS funding for the scoping mission has been moved to Cook Islands Government. A contract for services between MFEM and NZ Corrections has been drafted and is currently with NZ Correction under review. The mission will commence late August 2018, with three additional trips planned for October, December 2018 and February 2019.
Asset Management Stocktake Cook Islands Investment Corporation	Tender advertisement has closed and evaluation is underway. Draft contract has been provided to CIIC for review.
Study of Foreign Direct Investment (FDI) in the Cook Islands Ministry of Finance and Economic Management	Project consultants have progressed in compiling initial data, challenges so far have been with quality of agency data and access. This has delayed the project further however, the consultants will be back in country on 22 July following their draft report which is due 9 th July.
Public Expenditure Review of the Economic, Social & Environmental Sectors Ministry of Finance and Economic Management	Project has begun with TA completing data and document review as well as initial findings meetings with Ministry of Finance and Economic Management (MFEM), Ministry of Education (MoE), National Environment Service (NES), Ministry of Internal Affairs, Ministry of Marine Resources, Seabed Mining Authority, FSDA, Cook Islands Tourism, Ministry of Culture and Chamber of Commerce.
Improving Audit Performance	The TOR for this project has been finalised by CIAO. Two TA's have been procured under this programme. The contracts have been finalised and signed, now awaiting their arrival. This initiative will include staff

Cook Islands Audit Office (CIAO)	incentives for training and returning graduates employment bonds with CIAO.
Revenue Management System Phase 4 – CUSMOD	Construction of phase 4 system is complete with testing now scheduled instead to run into March Quarter 2018. This now means extension of project completion date from December 2017.
Revenue Management Division-MFEM	
Financial Management Information Systems (FMIS) Treasury Division-MFEM	Contract awarded to Agylis NZ on 24 November 2017 with final phases of contract award in place. Upon completion of contract award, FMIS project timeline next steps are full incorporation of public sector agencies accounts into the new CIG FMIS by 2019.

State Owned Enterprises (SOEs)

The table below consolidates the June 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 – June 2018 YTD

2016/17 Actuals	2017/18 Budget Estimate - Full Year	2017/18 Additional Funding Approval	2017/2018 Total Budget & Approval	2017/18 Actual - Full Year	Variance	
('000)	('000)	('000)	('000)	('000)	('000)	%
4,997 Personnel	12,016	0	12,016	10,845	1,171	10
12,360 Operating	28,001	0	28,001	24,525	3,476	12
3,474 Depreciation	7,600	0	7,600	7,464	136	2
(21,435) Trading Revenue	(52,056)	0	(52,056)	(51,296)	(760)	1
(604) Net Activity Cost (Surplus)	(4,440)	0	(4,440)	(8,463)	4,023	(91)

Overall increases in trading revenues and savings in personnel and operations by SOE's has attributed to the favourable variance of \$4.02 million at the end of period 30 June 2018. While revenue has a \$0.760m unfavourable variance, external revenue is \$2.00 million ahead of budget, as this is offset with a negative \$2.80 million appropriation revenue shortfall, which has a contra positive impact under operating costs.

The large favourable variance in Personnel Costs of \$1.171m was mostly from TAU (\$0.727m) attributable to a number of vacancies across a number of management and technical positions.

A large variance of the under expenditure in Operating Costs of \$3.476m mostly relates to CIIC's underspend where this is offset with a reduction in revenue (Operating under-spend of \$2.866m, which relates mostly to water and land/legal costs).