



Cook Islands Government

Quarterly Financial Report

December 2013

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 accrual basis as far as practical and outlines income and expenses incurred which may not been necessarily received or paid. All figures are rounded to the nearest thousandth.

Key Points

The net operating balance of the General Government Sector as at 31 December 2013 was a surplus of \$8.3 million.

- Operating revenue was \$59.5 million; and
- Operating expenditure was \$51.2 million.

The overall fiscal balance which excludes depreciation, but includes capital expenditure was a surplus of \$4.7 million. These capital activities are government funded as well activities financed through the ADB-Economic Recovery Support Program (ERSP) loan and the Te Mato Vai China loan.

Table 1
Net Operating Balance General Government – December Quarter 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance	
				('000)	%
61,045	Operating Revenue	62,364	59,530	(2,834)	(5)
54,678	Operating Expenditure	56,155	51,235	(4,920)	(9)
6,367	Net Operating Balance	6,209	8,296	2,086	(34)

Table 2
Fiscal Balance of General Government – December Quarter 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance	
				('000)	%
6,367	Net Operating Balance	6,209	8,296	2,086	(34)
1,258	Add Depreciation	2,535	1,078	1,457	57
4,730	Less Capital Expenditure	7,591	4,716	2,875	38
2,895	Fiscal Balance	1,153	4,657	3,505	304

Total revenue collections for the December quarter were below the budget estimate. This was mainly attributable to lower than estimated income tax and import levies.

Total operating expenses for the December quarter were lower than the budget estimate and largely attributable to lower expenditure incurred by agencies and lower crown infrastructure depreciation as a result of lower than estimated asset transfers from agencies.

Table 3
Net Operating Balance as at 31 December 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)
<u>Operating Revenue</u>				
52,900	Taxation Revenue	54,733	52,669	(2,064)
4,060	Other Crown Receipts	3,168	2,348	(820)
2,827	Trading Revenue	2,713	2,868	155
-	Interest on Loans to Subsidiaries	244	244	-
267	Dividends	600	600	-
991	Interest on Funds	906	801	(105)
61,045	Total Operating Revenue	62,364	59,530	(2,834)
<u>Operating Expenditure</u>				
29,483	Ministry Expenditure Outputs	27,099	24,756	2,343
20,091	Payments on Behalf of the Crown	22,499	20,815	1,684
1,295	Airport Authority	1,024	1,024	-
91	Bank of Cook Islands	181	146	35
175	Te Aponga Uira	175	175	-
100	Ports Authority	555	555	-
1,265	Asset Management	1,272	1,272	-
72	Contingency Funds - Operating	100	111	(11)
1,739	Crown Infrastructure Depreciation	2,535	1,078	1,457
367	Debt Service Interest	714	648	66
-	Bank Fees	-	5	(5)
54,678	Total Operating Expenditure	56,155	51,235	(4,920)
6,367	Net Operating Balance	6,209	8,296	2,086

Key Balance Sheet Items in General Government:

Cash and Equivalents	60,153
Committed Cash	<u>(32,628)</u>
Net Cash Reserve	<u>27,525</u>
Gross General Government Borrowings	85,600
Net General Government Borrowings	39,589

The gross borrowings by the Crown were \$85.6 million, \$6.7 million more than the September 2013 quarter as a result of the drawdown of the Economic Restructuring Loan, net borrowings by the General Government Sector (including borrowings by SOEs) was \$39.5 million.

It should be noted that the New Zealand GSF Loan has now been fully paid and will no longer be included in the debt updates.

The net cash reserve which is essentially unencumbered cash rose from \$18.5 million in the September 2013 quarter to \$27.5 million at the end of December 2013.

General Government Revenue Analysis

General Government sector revenue as at 31 December 2013 was lower than the budget estimate by \$2.834 million or 5 per cent. This was mainly attributed to tax revenues and other crown revenues not performing to budget for respective reasons detailed below.

Table 4

General Government Revenue Summary – December 2013 YTD

2012-13 Actual ('000)		2013-14 Budget ('000)	2013-14 Actual ('000)	Variance ('000)	%
22,467	Value-added Tax	21,725	22,432	707	3
13,940	Income Tax	14,350	13,081	(1,269)	(9)
5,826	Company Tax	6,883	7,364	481	7
6,913	Import Levies	6,901	4,868	(2,033)	(29)
426	Withholding Tax	514	957	443	86
3,328	Departure Tax	4,360	3,967	(393)	(9)
2,827	Trading Revenue	2,713	2,868	155	6
5,318	Other Revenue	4,918	3,993	(925)	(19)
61,045	Total Revenue	62,364	59,530	(2,834)	(5)

Value Added Tax

Actual VAT revenue collected in December 2013 was \$0.707 million above budget estimate (3 per cent). This is close to budget and it is expected that budget forecasts will be met at year end.

Income Tax

Actual Income tax collected in December 2013 was \$1.269 million below the quarter budget estimate (-9 per cent). Budget estimates for the first six months have not been met, however, it is expected that actual revenue will be closer to budget by the end of the financial year.

Company Tax

Actual Company tax collected in December 2013 was \$0.481 million above the December quarter budget estimate (7 per cent). This increase partly offsets the reduced income tax revenue, as companies retain profits (rather than distribute dividends) and pay company tax instead of income tax paid by shareholders.

Import Levies

Actual Import levies collected in December 2013 was \$2.033 million below the December quarter budget estimate (-29 per cent). The decrease of actual to budget figures is attributed to the phasing of quarterly budgets and it is expected that actual revenue will come within budget towards the end of the financial year. The bulk importing of tobacco products by big importers in June 2013 (prior to the increase in levies in July) is also attributable to the decrease in levies received this quarter.

Withholding Tax

Actual Withholding tax collections in December 2013 were \$0.443 million above the December quarter budget estimate (86 per cent). This increase reflects withholding tax collected on interest, dividends and royalties on a number of tax audit cases.

Departure Tax

Departure tax collections were \$0.393 million below the December quarter budget estimate (-9 per cent). The lower collections compared to budget is a result of departure tax monies from airlines being paid in the month following travel now (previously departure tax stickers were purchased in advance) to the Revenue Management Division.

Trading Revenue

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

Other Crown Revenue

Other Crown Revenue was \$0.925 million below the December quarter budget estimate (19 per cent). This is predominantly due to the decrease collection of a number of revenue items, namely Immigration Fees (\$0.135 million), Fishing Licences (\$0.596 million) and interest earned on crown bank balances for the quarter (\$0.105 million).

Immigration fees did not perform as a result of the Ministry of Foreign Affairs and Immigration not increasing their service charges as outlined in the budget; less fishing licenses have been issued than what was anticipated at budget time; and the decrease on interest on crown balances was due to the phasing of the quarterly budget against actual.

Table 5
General Government Other Revenue Summary – December 2013 YTD

2012-13 Actual ('000)		2013-14 Budget ('000)	2013-14 Actual ('000)	Variance ('000)	%
141	FSC Fees	145	68	(77)	(53)
266	Immigration Fees	484	349	(135)	(28)
49	Court Services	20	37	17	85
28	Instant Fines	24	14	(10)	(41)
2,316	Fishing Licences	1,220	624	(596)	(49)
-	Research Fees	1	1	-	-
-	Permits	23	9	(14)	(60)
267	Telecom-Dividends	600	600	-	-
190	Numismatic Revenue	225	152	(73)	(32)
336	Drivers Licenses	337	307	(30)	(9)
375	Motor Vehicle Registrations	341	376	35	10
991	Interest on balances	906	801	(105)	(12)
-	Interest on loans to subsidiaries	244	244	-	-
9	Foreign Investment Fees	11	16	5	45
118	Upper Air Management Agreement	119	153	34	29
35	Shipping Reg/Licenses	54	35	(19)	(35)
10	Intl Shipping Licenses	10	10	-	-
4	Liquor Licensing	2	5	3	150
62	Tattslotto Grants	69	73	4	6
4	Censorship Fees	5	3	(2)	(40)
117	Circulating Currency- Coins	38	100	62	163
-	Employers Liability	38	14	(24)	(63)
-	Motor Vehicle Dealers	2	2	-	-
5,318		4,918	3,993	(925)	(19)

Figure 1
General Government Revenue - December 2013 YTD (\$000)

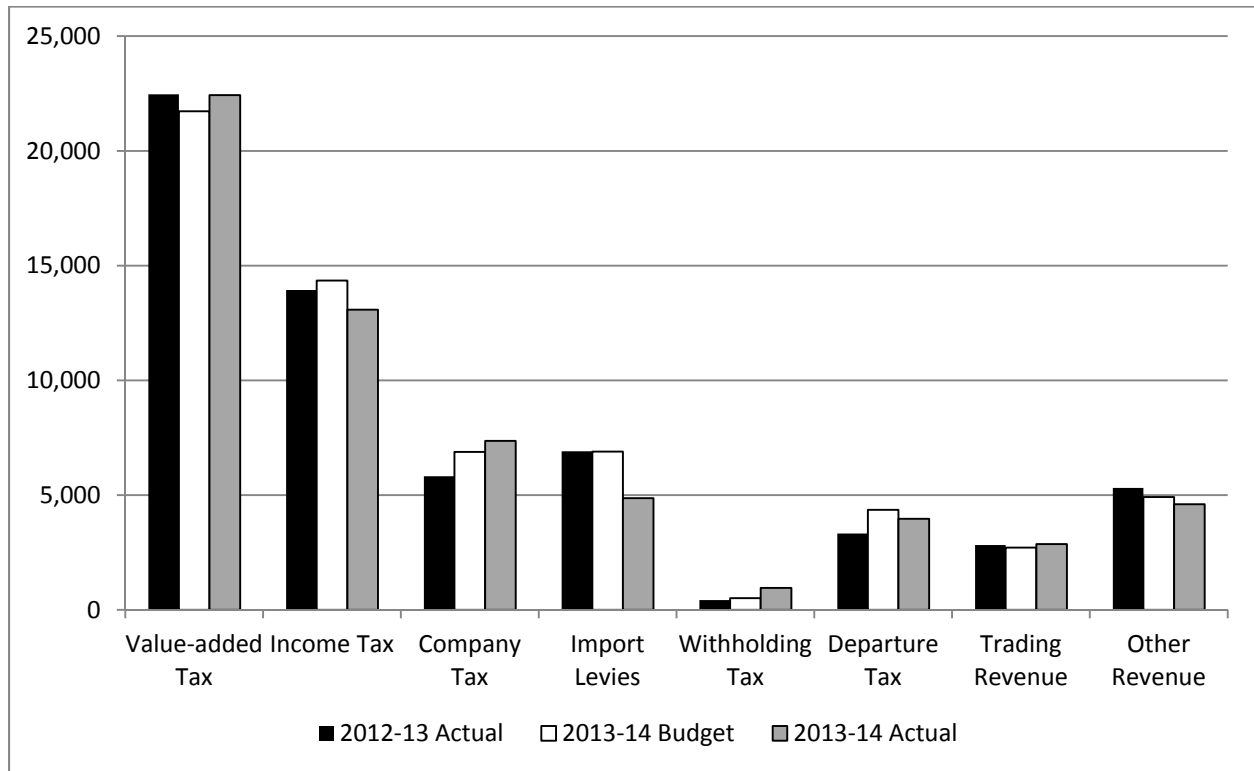
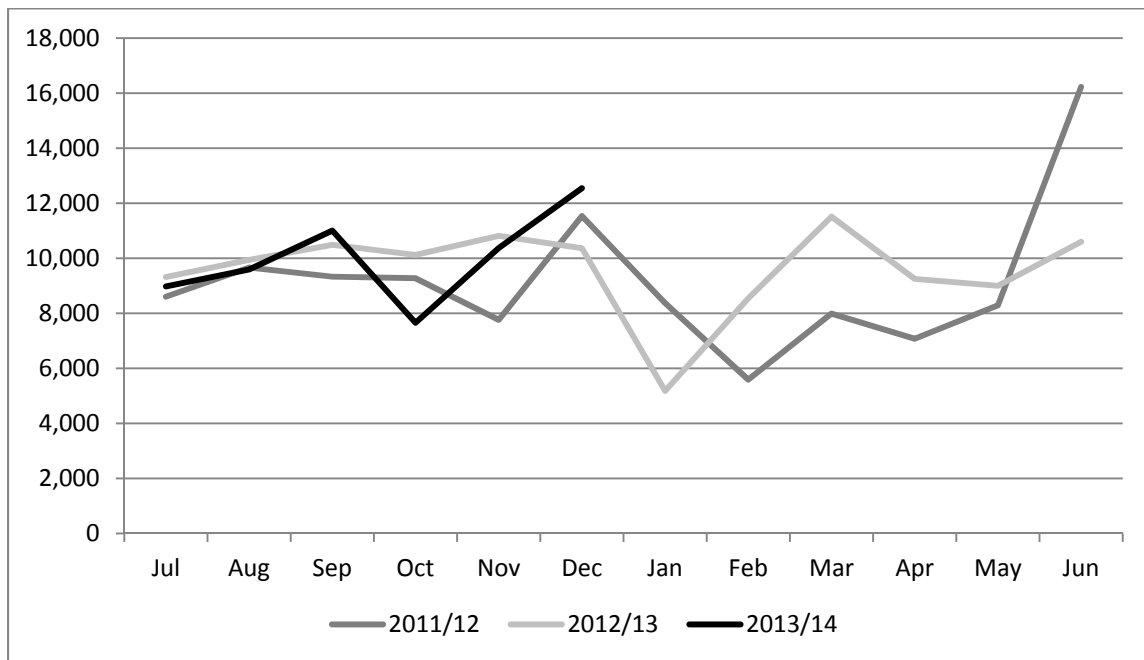


Figure 2
Net Operating Revenue Trends

Figure 2 demonstrate the trends over the previous two financial years of operating revenue.



General Government Expenditure Analysis

Payments on Behalf of Crown (POBOCs)

Table 6

Payments on Behalf of Crown – December 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
4,804	Air New Zealand Underwrite	6,300	5,207	1,093	17
679	Apex (Toa) Profit Support	750	488	262	35
6,605	Welfare Payment	6,958	6,799	159	2
154	Social Responsibility Fund	135	135	-	-
1,343	Civil List	1,177	1,276	(99)	(8)
6,506	Other POBOCs	7,179	6,911	268	4
20,091	Total POBOCs	22,499	20,815	1,684	7

Overall POBOC expenditures were lower than the estimated December 2013 budget by \$1.684 million.

Welfare payments were under by 2 per cent as a result of the number of new births not reaching the average 25 per month budgeted and the delays on the processing of maternity leave applications from the private sector. The old age pension was over spent by \$0.09 million as a result of higher than budgeted payments.

Table 7

Welfare Payments - December 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
Legislated Payments					
1,313	Child Benefit	1,285	1,286	(1)	(0)
150	New Born Allowance	155	124	31	20
4,302	Old Age Pension	4,495	4,581	(86)	(2)
255	Destitute & Infirm Persons Payment	207	202	6	3
-	Maternity Leave	96	29	67	70
Non-legislated Welfare Payments					
119	Caregiver's Allowance	153	135	18	12
282	Christmas Bonus	300	280	21	7
85	Funeral Allowance	84	50	34	41
20	Power Subsidy	60	60	-	-
16	Special Assistance	48	13	35	72
63	BCI Transaction Fee	75	39	36	48
6,605	Total Welfare Payments	6,958	6,799	159	2

Other POBOCs expenditure was down against the December 2013 quarter budget estimate by 4 per cent.

Appropriation Analysis

Table 8

Ministries, Agencies & Ministerial Office Appropriation Analysis – December 2013

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
20,658	Personnel	19,193	17,777	1,416	7
7,567	Operating	6,537	6,117	420	6
1,258	Depreciation	1,369	862	507	37
2,827	Trading Revenue	2,162	2,285	123	6
26,656	Net Appropriation	24,937	22,471	(2,466)	(10)

There was an overall savings of 10 per cent in the net appropriations of ministries and ministerial support offices at the December 2013 quarter, amounting to approximately \$2.466 million.

Personnel

Personnel expenditure for the December 2013 quarter was \$1.416 million lower than budget estimates (-7 per cent). Out of 32 ministries, agencies and ministerial offices, 30 had savings while 2 had overspent. The savings are caused by vacancies existing in agencies which remain to be filled.

Operating

Operating expenditure for the December 2013 quarter was \$0.420 million lower than the budget estimates (-6 per cent). A total of 23 ministries made savings while 9 overspent their respective budgets half way through the financial year.

Depreciation

Depreciation expenditure was \$0.507 million lower than the December 2013 budget (-37 per cent). A number of ministries have fully depreciated assets which they have budgeted for that are still in working condition while other planned capital purchases are expected to happen in the next half of the financial year.

Trading Revenue

Trading revenue in the December 2013 quarter was \$0.123 million higher than the budget estimate (6 per cent). 9 Ministries contributed to this significant increase especially the Ministry of Finance and Economic Management (MFEM) (\$0.137 million) and Cook Islands Tourism (\$0.149 million).

Table 9**Pa Enea (Outer Islands) Appropriation Analysis – December 2013 YTD**

Actual 2012/13		Budget 2013/14	Actual 2013/14	Variance	
('000)		('000)	('000)	('000)	%
2,591	Personnel	2,782	2,696	86	3
1,101	Operating	1,150	1,050	99	9
455	Depreciation	490	436	54	11
594	Trading Revenue	551	583	32	6
3,553	Net Appropriation	3,871	3,599	(271)	(7)

Personnel

Personnel expenditure for the December 2013 quarter was \$0.086 million lower than budget estimates (-3 per cent) as a result of a number of vacant positions in the Administration Offices of Aitutaki (3), Mangaia (2) and Mitiaro (2).

Operating

Operating expenditure for the December 2013 quarter was \$0.099 million lower than the budget estimates (-9 per cent). These savings were attributed to decreases in fuel and oil expense of \$0.027 million due to delayed purchasing of fuel in Atiu and Manihiki; decrease in communication of \$0.010 million due to tighter controls put in place to manage excess spending; and a decrease in plant and equipment as well as repairs and maintenance of \$0.032 million due to the late purchase of fixtures.

Depreciation

Depreciation expenditure was \$0.054 million lower than the December 2013 budget (-11 per cent). These savings were mainly caused by the use of inaccurate and incomplete fixed asset registers of Island Administrations to establish budget estimates -Pukapuka \$0.015 million, Mitiaro \$0.008 million, Atiu \$0.007 million, Mangaia \$0.006 million and Aitutaki on \$0.006 million. The Ministry of Finance in partnership with the Office of the Prime Minister will be carrying out a fixed asset stock take on all southern group islands in the months of February and March 2014. It is expected that this exercise will yield more accurate and complete asset registers for the southern group islands.

Trading Revenue

Trading revenue in the December 2013 quarter was \$0.032 million higher than the budget estimate (6 per cent). This was attributed to increased revenue in Aitutaki as a result of the Vaimaru Project \$0.029 million and proper power readings in Mauke \$0.012 million.

Other General Government Operating Expenditure

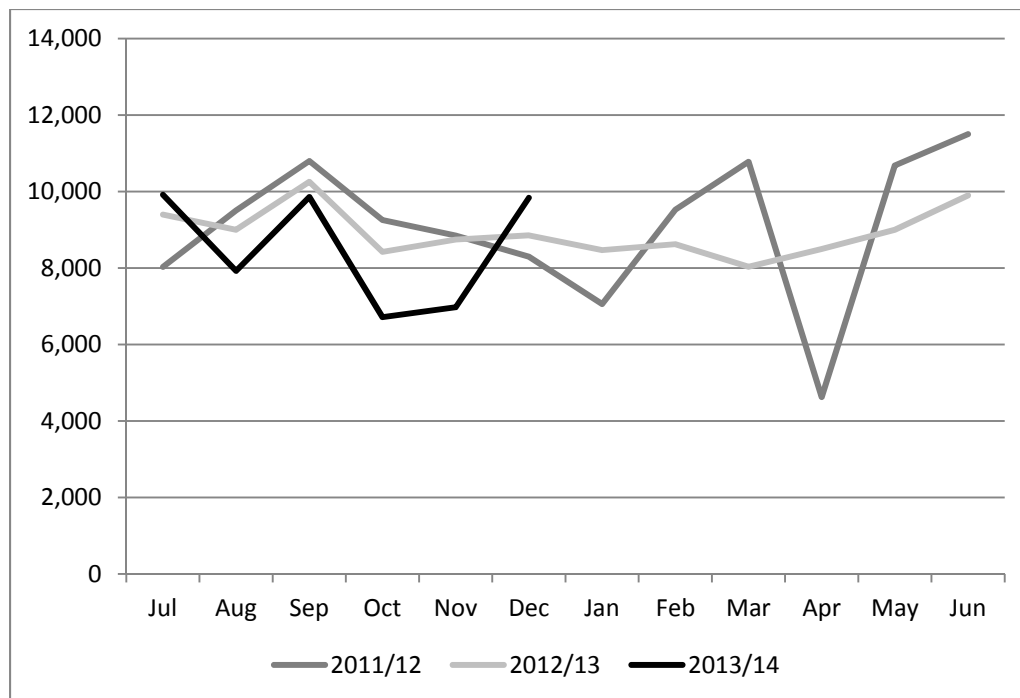
Other operating costs for the General Government sector are 26 per cent under the December 2013 budget estimates. The most significant variation contributing to this decrease is the crown infrastructure depreciation as a result of a higher number of asset transfers anticipated.

Table 10
Other General Government Operating Expenditure

Actual 2012/13 ('000)		Budget 2013/14 ('000)	Actual 2013/14 ('000)	Variance ('000)	%
1,295	Airport Authority	1,024	1,024	-	-
91	Bank of Cook Islands	181	146	35	19
175	Te Aponga Uira	175	175	-	-
1,265	Asset Management	1,272	1,272	-	-
367	Debt Servicing Interest	715	648	67	9
72	Contingency Funds - Operating	100	111	(11)	(11)
1,739	Crown Infrastructure Depreciation	2,535	1,078	1,457	57
5,004	Total Other Operating	6,001	4,454	1,547	26

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

Figure 3
Net Operating Expenditure Trends



State Owned Entities (SOEs) Quarterly Reporting

All SOEs are now required to report financial performance to MFEM on a quarterly basis.

The table below summarises the December 2013 quarter performances of Cook Islands Investment Corporation (CIIC), Airport Authority, the Bank of the Cook Islands, Ports Authority and Te Aponga Uira. It should be noted that the budget figures below represent the respective internal budgets of the SOEs. The appropriations approved to SOEs by Parliament are the social responsibility contributions of government.

Table 11
SOE Quarterly Reporting – December 2013

	Budget 2013/14	Actual 2013/14	Variance	
	('000)	('000)	('000)	%
Personnel	4,824	4,551	273	6
Operating	11,767	11,622	145	1
Depreciation	2,835	3,476	(641)	(23)
Trading Revenue	18,110	19,213	1,103	6
Net Appropriation	1,316	436	(880)	(67)

Personnel

Personnel expenditure for the December 2013 quarter was \$0.273 million lower than budget estimates (-6 per cent). This was mainly due to the delayed filling of new/ vacant positions and restructuring due to staff movements at Te Aponga Uira (\$0.195 million); and a new structure for the Airport Authority that has not as yet been incorporated although they were budgeted for 12 months (\$0.153 million).

Operating

Operating expenditure for the December 2013 quarter was \$0.145 million lower than the budget estimates (-1 per cent). Significant savings were reported by Ports Authority (\$0.082 million); Cook Islands Investment Corporation (\$0.015 million) and Airport Authority (\$0.110 million). These savings were a result of delayed payment of rentals and deferred maintenance work.

Depreciation

Depreciation expenditure was \$0.641 million higher than the December 2013 budget (23 per cent). This was mainly driven by Te Aponga Uira's assets revaluations and the adjustment of depreciation rates (\$1.112 million).

Trading Revenue

Trading revenue in the December 2013 quarter was \$1.103 million higher than the budget estimate (6 per cent). Te Aponga Uira reported \$0.303 million more than budget as a result of increases in energy consumption for the quarter and Airport Authority reported \$0.223 million more than budget as a result of extra flights and higher sale of concessionaires. The other SOEs reported increases against budget due to increase in commercial activity.

Crown Borrowings

The Crown's gross borrowing for the December 2013 quarter was \$85.7 million, an increase of \$6.8 million from the September 2013 quarter. This increase was attributable to:

- an unfavourable movement in exchange rates against the New Zealand Dollar (NZD) of \$0.9 million;
- drawdown of tranche two - Economic Recovery Support Program Loan (ERSP) of \$7.3 million;
- offset by repayment of principal of \$1.4 million during the quarter.

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

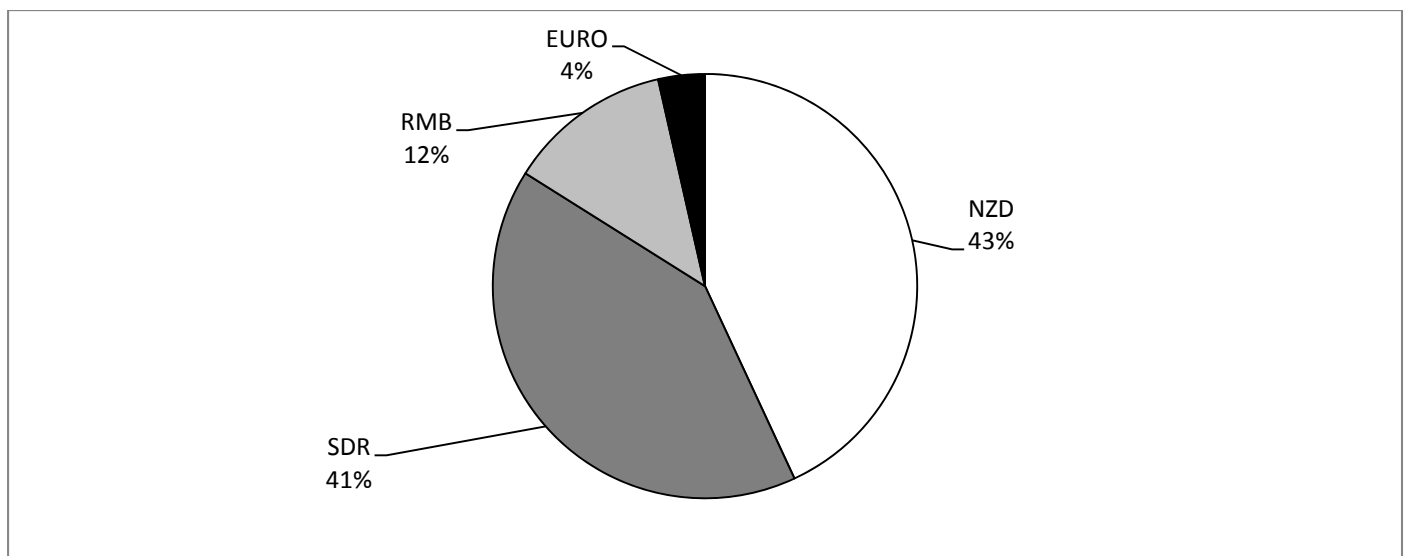
Table 12
Average Exchange Rates Used

Foreign Exchange Currency	30Sept 2013 Average	31 Dec 2013 Average	Changes
EUR	0.6130	0.5944	-0.0186
USD	0.8270	0.8202	-0.0068
CNY	5.0612	4.9718	-0.0894
SDR	0.5390	0.5301	-0.0090

The unrealised foreign exchange loss of \$0.9 million is largely the effect of the negative movement in the Special Drawing Rights (SDR) as about 41 per cent of the total government borrowing is denominated in SDR as illustrated in Figure 4.

Net borrowings by the General Government for this quarter were \$39.6 million, a \$6.6 million increase from the September 2013 quarter. This increase is made up of \$0.7 million foreign exchange adjustment and \$1.4 in principal repayments. The Government has drawn down the tranche two of the ADB ERSP Loan of \$7.3 million.

Figure 4
Composition of Crown Debt by Currency



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

Table 13 below summarised Crown's estimated debt position for December 2013 quarter.

Table 13
Crown Borrowings – December 2013 YTD

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	Sept 13 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Loan Drawn Down	Dec 13 Balance ('000)	Change Sept 13 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	3,218	(267)	92	-	3,043	(175)
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	10,981	(437)	190	-	10,734	(247)
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	688	-	12	-	700	12
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	647	(35)	10	-	622	(25)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	2,081	-	35	-	2,116	35
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	4,828	-	82	-	4,910	82
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,242	(34)	20	-	1,228	(14)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	427	(11)	7	-	423	(4)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	450	-	8	-	458	8
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,741	-	46	-	2,787	46
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,267	-	38	-	2,305	38
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	5,005	-	85	-	5,090	85
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	838	-	14	-	852	14
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,446	(62)	40	-	2,424	(22)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,293	-	56	-	3,349	56
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	10,309	-	-	-	10,309	-
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	7,640	-	129	-	7,769	129
ADB 2739 Amend Avatiu Port Development	USD	4,700	Dec-11	Nov-35	5,614	-	-	-	5,614	-
ADB 29 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	-	-	-	7,250	7,250	7,250
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	10,879	(505)	-	-	10,374	(505)
ANZ - Airport Authority	NZD	8,100	Apr-11	Apr-16	3,386	(143)	-	-	3,243	(143)
Total Gross Borrowings					78,980	(1,494)	864	7,250	85,600	6,620
<i>Total Loans with ADB</i>					61,395	(647)	582	7,250	68,580	7,185
<i>Total Loans with Other Sources</i>					17,585	(847)	282	-	17,020	(565)
Total Gross Borrowings					78,980	(1,494)	864	7,250	85,600	6,620
Less Loan Reserve					19,076	-	-	-	19,076	-
Net Borrowing by the Crown					59,904	(1,494)	864	7,250	66,524	6,620
Less Avatiu Port Development					23,563	-	129	-	23,692	129
Less ANZ - Airport Authority					3,386	(143)	-	-	3,243	(143)
Net Borrowing by the General Government					32,955	(1,351)	735	7,250	39,589	6,634

General Government Cash Reserves

General government cash reserves at the December 2013 quarter were \$27.5 million, an increase of \$9 million from the Sept 2013 quarter.

This increase in cash reserves reflects the draw down on the tranche two of the ADB ERSP loan (\$7.3 million), and the favourable variance to budgeted income for the quarter as explained earlier in this report.

Table 14
Cash Reserves – December 2013 YTD

	Jun 13 Qtr ('000)	Sept 13 Qtr ('000)	Dec 13 Qtr ('000)	Change Sept 13 Qtr ('000)
Total Term Deposit at the Bank				
Westpac	3,066	3,067	3,120	53
ANZ	32,080	33,667	35,374	1,707
ANZ - ADB USD 10 million	3,888	3,900	3,907	7
BCI	10,502	10,502	17,752	7,250
Total Term Deposit at the Bank	49,536	51,136	60,153	9,017
	*			
Committed:				
Trust Fund General Reserve	2,911	2,911	2,911	-
Disaster Response Trust ¹	468	468	468	-
Loan Reserve Fund ²	19,076	19,076	19,076	-
ADB USD 10 million loan - Project pending ³	3,888	3,900	3,907	7
Trust Account Deposit ⁴	2,745	2,766	2,766	-
Carry Forward Contingency – OPEX ⁵	500	500	500	-
Working Capital ⁶	3,000	3,000	3,000	-
Total Commitment for this year	32,588	32,621	32,628	7
Estimated General Cash Reserve	16,948	18,515	27,525	9,010

* - This does not include cash balances on the Ministry Operating Bank Accounts.

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

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

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

⁴ Trust Account Deposit – funds held on behalf of Land Trust and Workers Compensation Trust

⁵ Carry Forward Contingency – funds tagged for any carry forwards of operating expenditure

⁶ Working Capital – funds tagged to cover overall Government cash flow requirements

Official Development Assistance (ODA)

The Development Coordination Division (DCD) of MFEM administers all international development assistance. It is estimated that ODA accounts for 14 per cent of the national economy and 30 per cent of the national budget in 2013/14.

This chapter has been amended to incorporate the COFOG classifications required for GFS reporting purposes.

Functions of Government:

The majority of General Public Services spending is from the New Zealand Official Development Assistance program. Activities such as WATSAN, Renewable Energy and Te Mato Vai are all funded by NZAid.

Tourism activities were the main contributors under the Economic Affairs function, focusing mainly on the marketing of the Cook Islands destination. Other contributors include activities from CITAF, aid effectiveness, pearl.

The EU funded Global Climate Change project managed by the Office of the Prime Minister contributed to the increased activity in the Environmental Protection function.

Comparison to Budget:

The budget provided by the donors and the implementing agencies are on an annual basis. To provide a comparative for the quarter the annual budget was allocated to the month and then multiplied by three to arrive at a comparative figure. This sets a base for comparison.

For the activities funded by the ADB we have not yet received any actual spent for this quarter.

NZODA Activities shows that they are well within budget. There are also early indications that for this financial period 13/14 NZODA funded activities will be under spent by \$7 million. Meetings are being held to discuss the allocation of the under spend.

Table 15

ODA Expenditure December 2013 YTD

	General Public Service	Defence	Public Order & Safety	Economic Affairs	Environ Protection	Housing & Community Amenities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<u>ADB</u>											
YTD Budget	490	-	-	550	-	-	-	-	-	195	1,235
YTD Actual	-	-	-	-	-	-	-	-	-	-	-
\$ Variance	490	-	-	550	-	-	-	-	-	195	1,235
% Variance	100	-	-	100	-	-	-	-	-	100	100
<u>NZAID</u>											
YTD Budget	8,917	428	-	3,150	-	-	250	-	1,635	383	14,762
YTD Actual	1,862	-	-	3,062	-	70	241	-	1,690	160	7,085
\$ Variance	7,055	428	-	88	-	(70)	9	-	(55)	223	7,676
% Variance	79	100	-	3	-	(100)	4	-	(3)	58	52
<u>UNDP</u>											
YTD Budget	-	-	-	121	-	-	-	-	-	-	-
YTD Actual	-	-	-	0	-	14	-	-	-	-	-
\$ Variance	-	-	-	121	-	(14)	-	-	-	-	107
% Variance	-	-	-	100	-	(100)	-	-	-	-	100
<u>AusAID</u>											
YTD Budget	630	-	-	68	-	-	-	-	-	-	698
YTD Actual	-	-	-	-	190	-	-	-	-	-	190
\$ Variance	630	-	-	68	(190)	-	-	-	-	-	508
% Variance	100	-	-	100	(100)	-	-	-	-	-	73
<u>China</u>											
YTD Budget	5,510	-	-	-	-	-	-	-	-	-	5,510
YTD Actual	-	-	-	-	-	-	-	-	-	-	-
\$ Variance	5,510	-	-	-	-	-	-	-	-	-	5,510
% Variance	100	-	-	-	-	-	-	-	-	-	100
<u>India</u>											
YTD Budget	-	-	-	-	-	75	-	-	-	-	75
YTD Actual	-	-	-	-	-	239	-	-	-	-	239
\$ Variance	-	-	-	-	-	(164)	-	-	-	-	(164)
% Variance	-	-	-	-	-	(218)	-	-	-	-	(218)

	General Public Service	Defence	Public Order & Safety	Economic Affairs	Environ Protection	Housing & Community Amenities	Health	Recreation, Culture & Religion	Education	Social Protection	TOTAL DONOR
<u>EU</u>											
YTD Budget	800	-	-	40	233	-	-	-	-	-	1,073
YTD Actual	0	-	-	67	297	-	-	-	-	-	364
\$ Variance	800	-	-	(27)	(65)	-	-	-	-	-	708
% Variance	100	-	-	(66)	(28)	-	-	-	-	-	66
<u>PEC (Japan)</u>											
YTD Budget	1,695	-	-	-	-	-	-	-	-	-	1,695
YTD Actual	24	-	-	-	-	-	-	-	-	-	24
\$ Variance	1,671	-	-	-	-	-	-	-	-	-	1,671
% Variance	99	-	-	-	-	-	-	-	-	-	99
<u>GEF</u>											
YTD Budget	-	-	-	-	706	-	-	-	-	-	706
YTD Actual	-	-	-	-	26	-	-	-	-	-	26
\$ Variance	-	-	-	-	679	-	-	-	-	-	679
% Variance	-	-	-	-	96	-	-	-	-	-	96
<u>UNESCO</u>											
YTD Budget	-	-	-	-	-	-	-	-	43	-	43
YTD Actual	-	-	-	-	-	-	-	-	79	-	79
\$ Variance	-	-	-	-	-	-	-	-	(37)	-	(37)
% Variance	-	-	-	-	-	-	-	-	(87)	-	(87)
<u>TOTAL COFOG</u>											
YTD Budget	18,042	428	-	3,929	938	75	250	-	1,678	578	25,795
YTD Actual	1,886	-	-	3,128	514	323	241	-	1,769	160	8,008
\$ Variance	16,156	428	-	800	424	(248)	9	-	(92)	418	17,787
% Variance	90	100	-	20	45	(331)	4	-	(5)	72	69

Glossary

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

Revenue

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

Revenue Levied Through the Crown's Sovereign Power

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

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

Expenses

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

Foreign Currencies

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

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

Aid Expenses

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

Appropriation

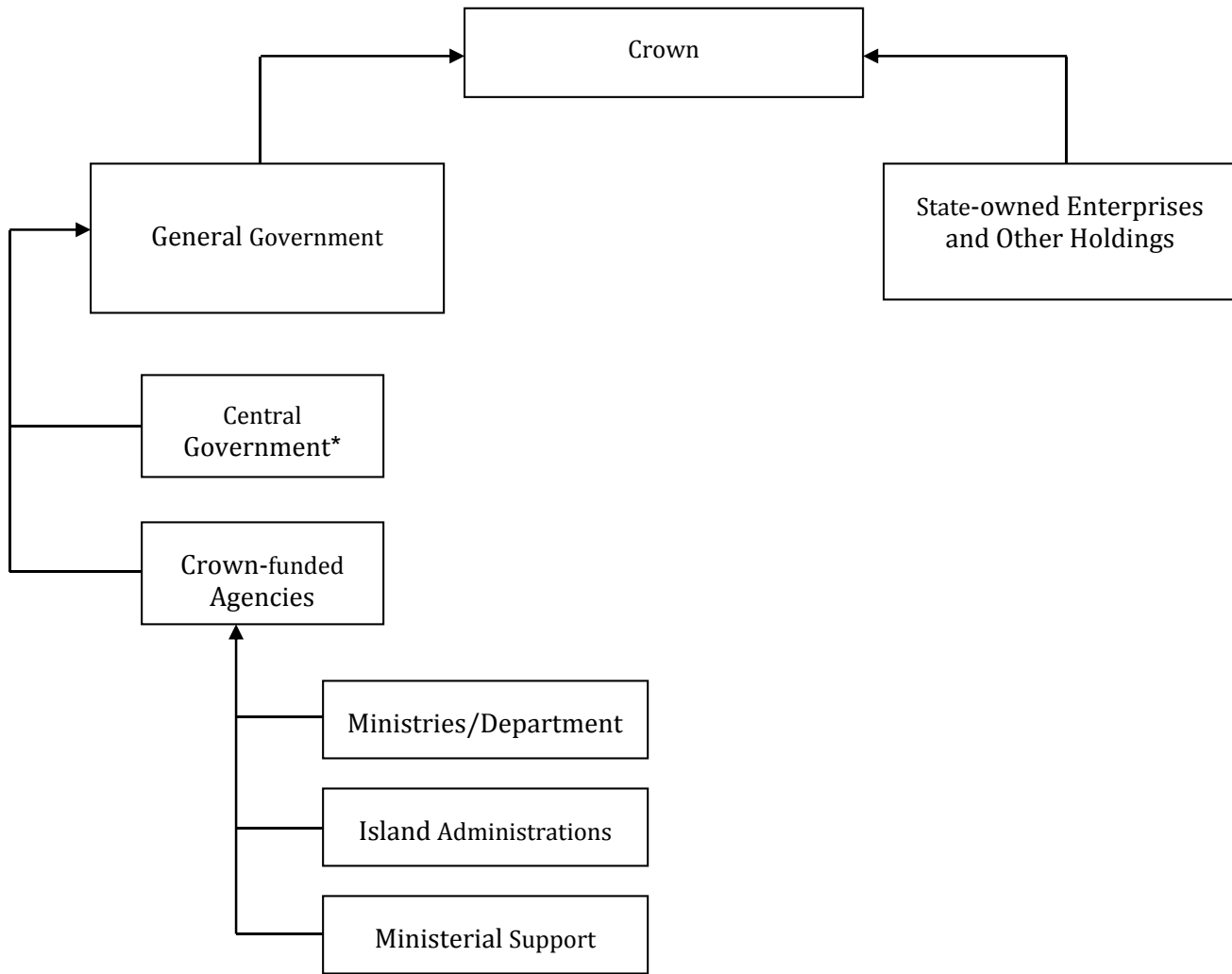
Appropriations are the funding-source provided by the Crown (as a Central Government entity) to allow the recipients (Crown-funded Agencies – see term below) to carry out their purposed operations.

Crown-funded Agencies/Agencies

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

General Government

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



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