

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 31 December 2020 is now available.

Net Operating Balance and Fiscal Balance of General Government

1. Fiscal Balance General Government

December 2020 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	57,463	90,595	33,132
Operating Expenditure	119,584	115,330	4,254
Net Operating Balance	-62,120	-24,734	37,386
<i>Add Depreciation</i>	5,449	5,449	0
<i>Less Capital Expenditure</i>	13,456	13,531	-76
Fiscal Balance	-70,127	-32,817	37,310

General Government's overall fiscal performance reported a shortfall in net fiscal balance of \$32.82 million. The shortfall however, was lower than estimated by \$37.31 million when compared against the budget estimates for the period. The variance was due to higher revenue collection, (up \$33.13 million) and lower spending in Operating Expenses, (up \$4.25 million).

Operating Statement

Total operating revenue reported a \$33.13 million higher collection against the budget estimates for the period. This was largely due to additional funds of \$23.26 million received during the period which were not included in the budget, \$15 million NZ Government grant received to go towards the COVID-19 Economic Response Plan (ERP), followed by Vested Assets funds received from FSC of \$8.26 million. Taxation revenue also reported an increase of \$9.01 million compared to the budget estimate. The estimate for taxation revenue was reduced to almost 50% of the 2019/20 taxation revenue estimates, taking into account the impact of COVID-19 on taxation collection. Actual collection however was better than expected. The increase was also the result of stringent audit and collection activities during the period.

Operating expenditure reported lower spending by \$4.25 million against the budget estimates to the end of the quarter. This was attributed to the underspending in the Ministry/Pa Enea operating expenditure (\$3.55 million), due to early payment of COVID-19 discounts and cost-sharing between different funded programmes. Administered payments and POBOC expenditure were on track against budget.

Spending on ERP*

ERP Measure	Full Year Budget 2021/21	Budget Estimates YTD December 2020	Actual YTD December 2020	Actual Vs Full Year Budget 2020/21
	\$'000	\$'000	\$'000	%
Operating	532	363	363	68%
Fees Free Programme	700	755	755	108%
Air Rarotonga Pa Enuā Subsidy	200	300	300	150%
SMART AgriTech Initiative	1,000	78	78	8%
SMART Economy Initiative	2,000	727	727	36%
Business Continuity Credit Facility (BCCF)	13,100	9,400	9,400	72%
Interest Relief	14,200	3,376	3,376	24%
Unemployment Benefit & Extension	970	193	193	20%
Emergency Hardship	200	15	15	7%
Wage Subsidy & Training Subsidy	28,078	25,203	25,203	90%
Business Grants- Phase I	-	-	35	0%
Sole Trader Grants	1,950	1,926	1,926	99%
Training Grant	300	190	190	63%
Business Growth Loans	750	-	-	0%
Community Partnership Program	20	-	-	0%
	64,000	42,525	42,560	67%

* Current snapshot of the ERP programme. Next update will be available in the March 2021 quarter reporting.

Capital Expenditure

December 2020 Quarter	Annual Budget ('000)	Budget YTD ('000)	Actual YTD ('000)	Variance YTD ('000)
Capital Expenditure	42,804	13,456	13,531	-76
Total Expenditure	42,804	13,456	13,531	-76

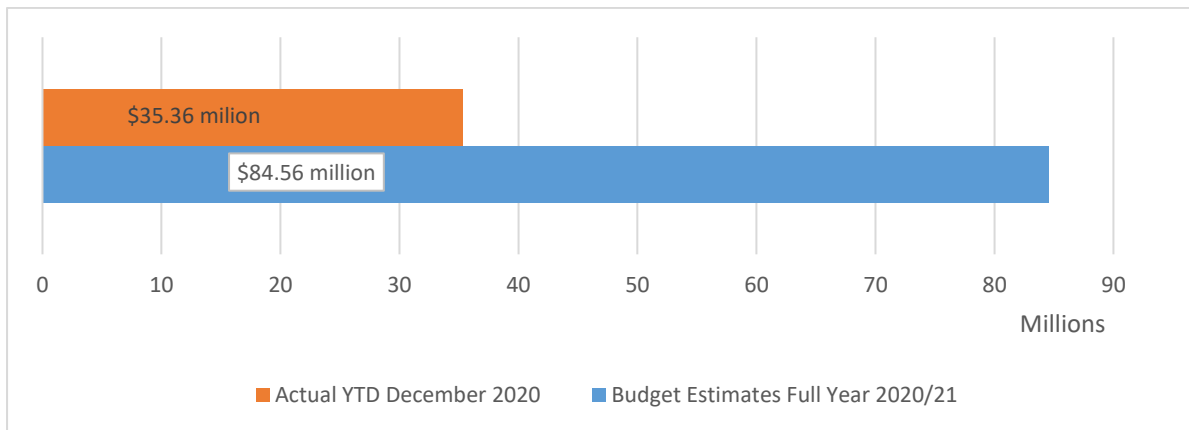
Spending on Capital budget was 32% by the end of the December quarter. This is a low utilisation considering the size of the annual budget and our capacity to implement projects before the end of June.

The low utilisation was due to the impact of Covid-19 on travel and the sourcing of resources overseas, which has interrupted the scheduled projects planned on both Rarotonga and the Pa Enuā.

Fiscal Balance

The overall fiscal balance reported a deficit of \$32.82 million, this is the overall net result after taking into account spending on Capital items and corresponding depreciation cash inflow.

2. Official Development Assistance



Official Development Assistance (ODA) was appropriated at the total value of \$69.48 million in the 2020/21 Appropriation. An additional \$15 million grant was received from the NZ Government to go towards the COVID-19 Economic Response Plan (ERP), and \$1.45 million grant from ADB also towards COVID-ERP which brings the total revised ODA budget to \$84.56 million to date. These additional funds were not included in the budget.

The second quarter for the financial year 2020/21 reported a total spend of \$35.36 million year to date (YTD) or 42% in proportion to full year budget estimate.

This is due to ongoing negotiations on priorities and the design of individual grant funding agreements given the impact of COVID-19. The remaining months of the financial year will continue to be monitored against budget.

3. Financial Position

General Cash Reserves

December 2020 Quarter	('000)
Operational Bank Accounts	61,634
Term Deposits and Trust Accounts	78,878
Total Cash Reserve Balance	140,512
<i>Less Total Claims on Cash Reserve</i>	-63,533
Total Estimated Cash Reserve	76,979

Estimated general cash reserve at the end of the period was \$76.98 million, this includes;

- \$15 million from NZ grant
- \$8.26 million from FSC vested assets
- \$30.41 million additional loan for COVID 19 Active Response
- \$15.68 million additional loan for Disaster Resilience Program (Phase 2)

Committed funds relates to funds set aside for specific purposes which includes the Reserve Trust Fund, the Loan Repayment Fund (LRF), infrastructure trust and other trust accounts.

The Stabilisation Account of \$56.7 million has been mobilized at the beginning of the year to support Government's Economic Response Plan (ERP).

Crown Debt

December 2020 Quarter	('000)
Total Gross Borrowings	\$147,338
Less Loan Repayment Fund	-\$16,069
Net Borrowing by the Crown	\$131,269
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	<i>-\$34,578</i>
Net Borrowing by the General Government	\$96,690

The total gross debt by the Crown for the December 2020 period was \$147.34 million, an increase of \$24.63 million from the September 2020 quarter. The increase in debt level was mainly due to additional Loan of \$30.41 million for COVID-19 Active Response, additional drawdown of \$0.48 million from the Renewable Energy Sector Loan, offset by loan repayments of \$1.73 million and favourable exchange rates movements of \$4.54 million.

Net Debt to GDP

Net Debt to GDP	Sept Qtr	Dec Qtr
	\$000	\$000
Net Borrowing by the Crown	105.25	131.27
Total GDP (half year update)	429.20	429.20
Net Debt to GDP	24.52%	30.58%

The latest Net Debt as a per cent of GDP was 30.6% at the end of the quarter and entered the government's soft cap target of 30%. Net debt to GDP is forecasted to be 40.9%, surpassing government's hard cap target of 35%, by the end of the June 2021 financial year. This is a temporary departure from existing government policy as a result of debt financial requirements of the ERP.

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