

SUMMARY AND TERMS OF DEBT CAPITAL INJECTION

The Government finances a number of projects through debt capital injection to agencies. This decision is based on the nature of the individual project, the degree of commerciality, and the projected returns on the investment.

Where a debt capital injection is provided to an agency, the terms and conditions are disclosed in the Budget Papers under the requirements of the *Financial Management Act 1996*.

The loan is provided by the Central Financing Unit (CFU) to the agency, and internal to Government. It is supported by an appropriation and does not have any correspondence to external borrowings.

No new debt capital injection was provided in the 2001-02 Budget to individual government agencies.

The following table lists existing loans that are included in the 2001-02 Budget.

	2001-02 \$'000	2002-03 \$'000	2003-04 \$'000	2004-05 \$'000
Department of Treasury				
Kingston Foreshore Development Authority	7 780			
Department of Urban Services				
Business Restructure	1 000			
TOTAL	8 780			

Terms and Conditions

Kingston Foreshore Development Authority

The Government will continue its debt financing of the Kingston Foreshore Development Authority during 2001-02, as a follow on to the debt financing already provided. The use of this financing for 2001-02 will be subject to Government endorsement of the preferred development plan for the Kingston Foreshore.

As with the existing Kingston Foreshore Development Authority debts, interest on the loan is capitalised. The principal and capitalised interest will be repaid from revenues generated by the sale of land in the development.

Interest will be charged on outstanding balances at the 90-day bank bill swap rate plus 2%. The interest is reset each quarter and the principal can be repaid in full or part at any time without penalty.

It is anticipated that the loan will be progressively repaid by 2004-05, with \$6.5m to be repaid in 2002-03, \$4.5m in 2003-04 and \$2.1m in 2004-05.

Department of Urban Services - Business Restructure

A loan facility of \$10m was provided in the 1999-2000 Budget. An amount of \$2.431m was drawn down in 1999-2000, with a further \$0.950m drawn down in 2000-01 and \$1m in 2001-02. Principle repayments commenced in 2000-01 (\$0.250m) with the following repayments expected from 2001-02, \$0.893m, \$1.294m, \$1.124m and \$0.640m respectively.

Interest is to be charged on the daily outstanding balance at the 90-day bank bill swap rate plus 1.5%. The interest rate is reset each quarter. Principle repayments can be made at any time without penalty.