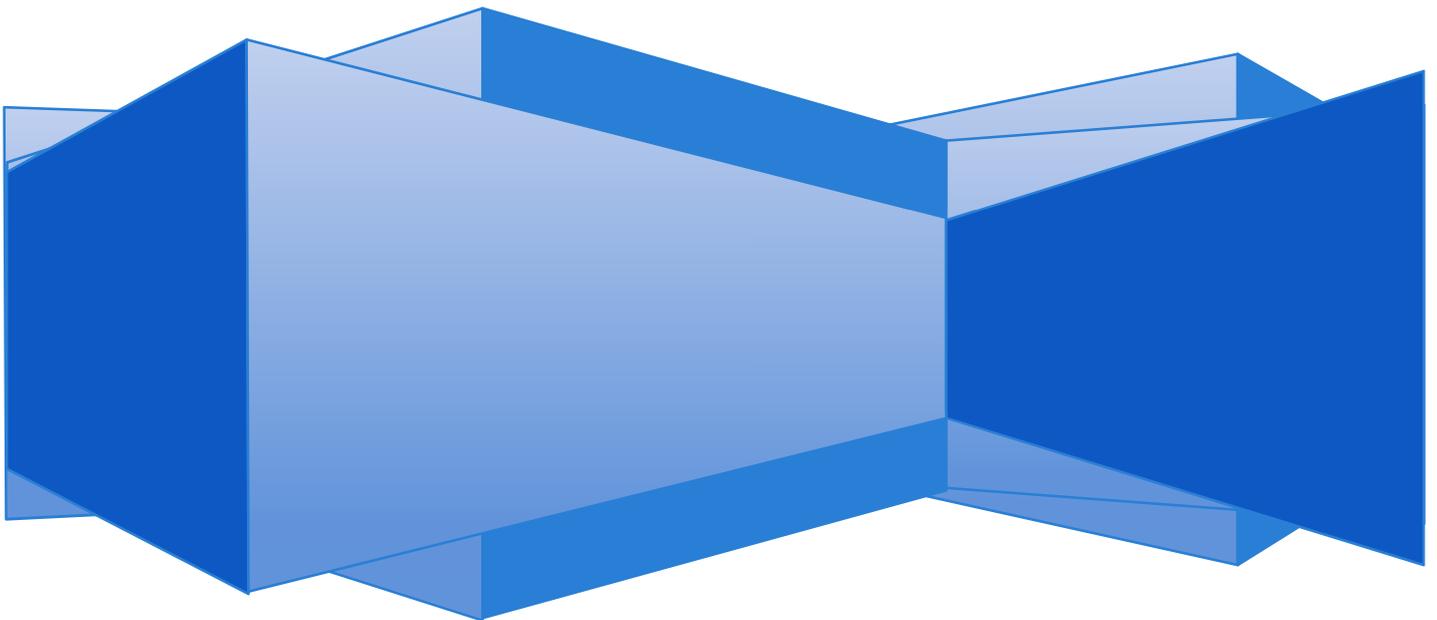


Ministry of Finance - Treasury



Government of Nauru
Quarterly Budget Performance Report
Quarter 3, FY 18-19
Release Date: 1st May 2019



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Overview

This is the third quarter 2018-19 budget utilization report and provides revenue and expenditure data recorded by Treasury for the period 1st July 2018 to the 31st March 2019. It is based on all available information to Treasury from the Government's accounts and departmental sources.

In the third quarter of the financial year the fourth Supplementary Appropriation were passed by Parliament. Supplementary Appropriation No.4 2018-19 was passed by Parliament on the 23rd of March.

It is important to note that the report only covers general Government operations. Donor expenditures and the operations of State-owned enterprises (SoE's) are not included in this report apart from where transfers from the Government have been made to donor projects or as subsidies/loans to SoE's. Likewise receipts from direct budget support donor funding have been included.

Key Highlights

Macroeconomic Assumptions

As at Oct 2018 the IMF have maintained the macro-economic assumptions for the fiscal year economic growth adopted in the preparation of the budget¹. These were growth would be flat (zero growth) in the current financial year. However revised estimates indicate an increase in domestic inflation (from 2% to 2.5% annually).

The Nauru Statistics Office released December 2018 CPI results indicating that annual inflation was 3.9% well above the estimate.

Total Original Budget Estimates

The Republic of Nauru 2018-2019 Appropriation Bill provides for revenue totaling approx. \$154.60 mil and expenditure of \$154.43 mil, hence a small surplus of \$167k.

Supplementary

Supplementary No.4 recognised a further \$22.04 mil in revenue from loan proceeds from Taiwan (\$7.064 mil); Business Profits Tax (\$7.300 mil) and fishing revenues (\$12.106 mil) primarily from overselling fishing days. It also recognised reduced revenues from General Budget Support (\$3.532 mil) and Miscellaneous Revenue from NRPPC arrangements (\$2.896 mil). \$2.0 mil of expected reimbursed cost revenue was included associated with appropriated expenditures for Egiu Solutions Corporation (ESC) cash flows.

It funded \$22.238 mil in spending increases the largest in Finance Other Payments (\$14.710 mil) to fund Subsidies to SoE's (\$9.760 mil); the Fiscal Cash Buffer (\$2.1 mil); pre-payment of the 2019-20 Nauru Trust Fund contribution (\$2.0 mil) and provisioning for MP's Superannuation (\$0.850 mil). Provision (\$3.12 mil) for a public-service wage increase was also included. \$2.0 mil was provided to Multi-cultural Affairs Department to provide cash-flow funding to ESC in the form of a subsidy. Provision for Public debt was increase by \$1.064 mil. The Education department was provided with an additional \$0.395 mil for the provision of school meals this year. There were a range of further seven (7) small appropriations totaling \$0.947 mil included in the Supplementary.

¹ IMF WEO Nauru, Oct 2018

Total Budget Aggregates

The total budget aggregates for the year are shown in Table 1.

Table 1 Aggregate results Qtr. 3 2018-19

	Approved Budget	Supplementary Budget	Revised Budget	Adjusted Forecast	Actual YTD	Var %
Revenue	154,600,457	53,029,134	207,629,591	213,810,879	183,264,673	3%
Expenditure	154,432,501	53,170,040	207,602,541	199,923,590	138,039,172	-4%
Surplus/(Deficit)	<u>167,956</u>	<u>(140,906)</u>	<u>27,050</u>	<u>13,887,290</u>	<u>45,225,501</u>	

Forecasts of revenue and expenditure outturns have been made in this report based on actual recorded revenues and payments for the period. This represents 75% of the elapsed financial year. At the end of the third quarter the Government recorded an operating surplus of \$45.22 mil.

Adjustments were made to the forecasts based on the previous history of the revenue collections and expenditures and on departmental information available to Treasury. It is the adjusted forecast number that is provided in this report. In aggregate adjusted forecast revenue collections are expected to be 3% greater (\$6.18 mil) than the revised budget estimates whilst adjusted forecast expenditure is expected to be 4% below (\$7.67 mil) the revised appropriations. These results would result in a positive budget balance of approximately \$13.89 mil which has increased (\$5.42 mil) since the mid-year forecast.

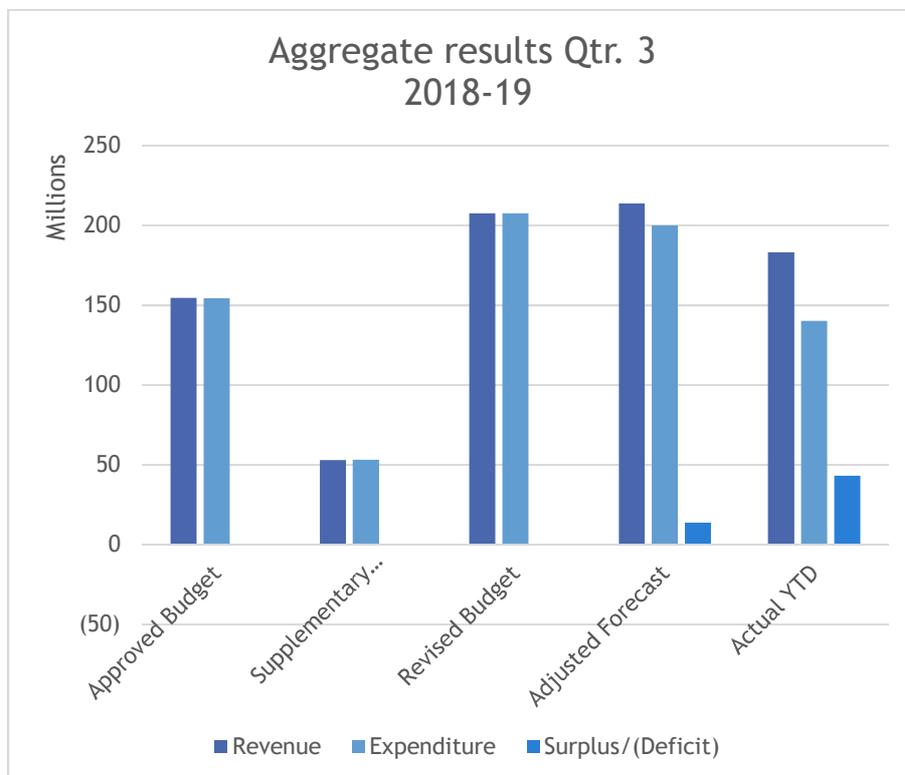


Figure 1 Aggregate budget results Qtr. 3 2018-19

Operating Revenue Analysis

During the year revenues have been increased by \$53.0 mil over the original budget estimates by the passage of the four Supplementary Appropriations. Actual revenue collections (\$183.3 mil) are 89% of the revised budget estimates which is consistent with current forecast revenue projections.

During the third quarter taxation revenue; visa revenue and other Government revenues have contributed to the large level of collections. Fishing revenue continues to be the largest single source of revenue (36%) with Other Government (Non-tax) Revenue (the largest being RPC related service fees and reimbursable costs) comprising 30% of receipts. Taxation revenue (17%) and Visa fees (11%) were the third and fourth ranked revenue sources.

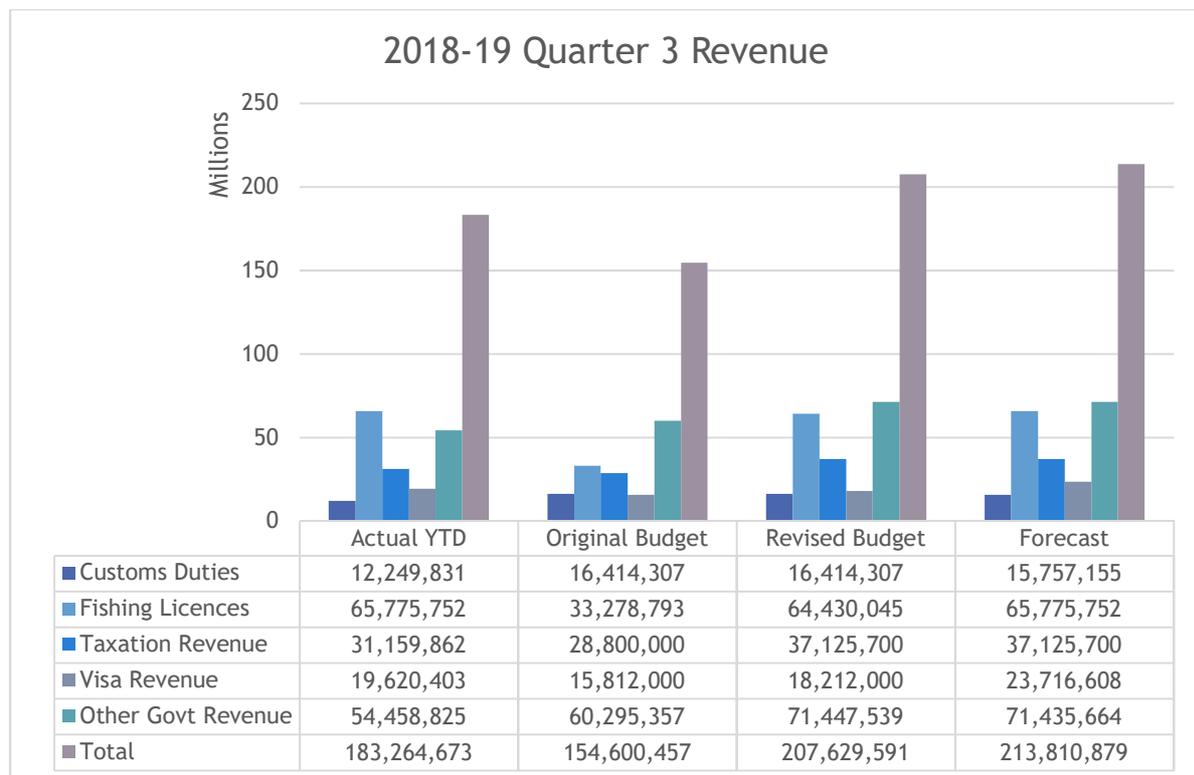


Figure 2 Revenue by major groups Qtr3 2018-19

Fishing Revenues

All fishing revenues exceed the revised budget estimates and the figures shown are the actual receipts to date. There is no expectation that any further significant fishing revenue will be collected in the last quarter of the year.

Table 2 Fishing revenues Qtr. 3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
1055 - Support Vessel Charges	(250,912)	(126,056)	(237,392)	(250,912)	106%
1071 - Purse Seine Revenue - Licensing	(1,409,463)	(882,392)	(1,361,928)	(1,409,463)	103%

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
1072 - Purse Seine Revenue - Fishing Days	(64,115,377)	(32,270,345)	(62,830,725)	(64,115,377)	102%
	<u>(65,775,752)</u>	<u>(33,278,793)</u>	<u>(64,430,045)</u>	<u>(65,775,752)</u>	<u>102%</u>

Non-tax

Actual Other Government non-tax revenue collections of \$54.458 mil have been recorded and represent 76% collected. They are therefore (in aggregate) on-target at the end of the third quarter.

Income from investments and dividend is expected to be about \$891K above the estimates as result of Digicel dividend payments. As mentioned in earlier quarter reports, fees associated with DCA passenger movements (1360 and 1365) are high (\$1.069 mil & \$1.057 mil respectively) and this is due to Nauru Airlines paying previous year arrears. Revenue from DJBC Operations 1577 is expected, on current trends, to be \$1.283 mil above budget estimates. The major revenue item in this category is Service fees (1495) and is currently below collection expectations but is expected to meet budget targets. In addition, there are several revenue items that were not included in the budget for which revenues have been received.

Port fees (1400) at 45% collected continue to be well below expectations and on current trends will be \$767K below budget targets. It is understood that this is largely due to arrears due from Ronphos for port operations. The DJBC Reimbursable cost revenue (1578) on current trends is expected to show a \$4.5 mil shortfall from the budget target.

Table 3 Non-tax revenues Qtr. 3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
1121 - Curator fees	(183,971)	0	0	(183,971)	NA
1015 - Income from Investments & Dividends-Others	(1,191,928)	0	(300,000)	(1,191,928)	397%
1215 - Licenses-Drivers etc	(61,110)	(100,000)	(100,000)	(81,446)	61%
1220 - Corporation Fees and Licenses	(138,625)	(20,000)	(20,000)	(138,625)	693%
1225 - Licenses-Trading	(273,290)	(198,000)	(198,000)	(364,054)	138%
1230 - Liquor Licensing Board	(26,611)	(29,500)	(29,500)	(35,448)	90%
1235 - Gaming / Bingo Licenses	(288,852)	(420,000)	(420,000)	(384,784)	69%
1260 - Birth Certificate	(17,755)	(16,730)	(16,730)	(23,652)	106%
1265 - Death Certificate	(530)	(480)	(480)	(706)	110%
1270 - Marriage Certificate	(2,070)	(1,670)	(1,670)	(2,757)	124%
1300 - Registration Fees-Motor Cars	(53,247)	0	0	(70,932)	NA
1305 - Registration Fees-Motorcycles	(4,590)	0	0	(6,114)	NA
1310 - Vehicle/Insurance Fees	(122,583)	0	0	(122,583)	NA
1325 - Passport Fees and Photographs	(247,616)	(197,640)	(197,640)	(197,640)	125%
1340 - Police Clearance	(36,310)	(45,000)	(45,000)	(48,502)	81%
1360 - D.C.A-Pax Levy	(1,530,325)	(968,700)	(968,700)	(2,038,572)	158%
1365 - D.C.A.-Departure Taxes	(1,453,800)	(879,600)	(879,600)	(1,936,631)	165%

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
1370 - D.C.A.-Air Navigation Fees	(740,960)	(684,000)	(684,000)	(987,045)	108%
1375 - D.C.A.-Landing Fees	(842,142)	(728,688)	(728,688)	(1,121,832)	116%
1380 - D.C.A.-Rental Fees	(103,486)	(211,800)	(211,800)	(137,855)	49%
1400 - Port Fees	(972,429)	(2,065,106)	(2,065,106)	(1,295,389)	47%
1420 - Warehouse sales	(14,872)	(152,230)	(152,230)	(19,811)	10%
1475 - Miscellaneous Revenue	(4,541,860)	(3,884,660)	(5,894,955)	(5,894,955)	77%
1480 - Bus Services	(1,446)	0	0	(1,926)	NA
1485 - Quarantine Fees	(33,288)	(45,000)	(45,000)	(44,343)	74%
1490 - Court Fines and Fees	(710,763)	(480,418)	(790,376)	(710,763)	90%
1495 - Service Fees	(13,531,983)	(16,008,900)	(21,008,900)	(21,008,900)	64%
1500 - Sale of Maps	(5,540)	0	0	(7,380)	NA
1520 - Food Handler Check up	(3,520)	(5,000)	(5,000)	(4,689)	70%
1540 - Advertising Revenue	(5,201)	(30,000)	(30,000)	(6,929)	17%
1550 - Canteen Fees	(500)	0	0	(666)	NA
1555 - Spectacles, Drugs etc.	(680)	(5,000)	(5,000)	(906)	14%
1565 - Medical Services	(3,729)	(5,000)	(5,000)	(4,967)	75%
1577 - DJBC - Operations	(3,743,997)	(2,460,860)	(2,460,860)	(3,743,997)	152%
1578 - DJBC - Reimbursable Costs	(13,808,252)	(18,308,320)	(18,308,320)	(13,808,252)	75%
1660 - General Budget Support	(4,256,757)	(12,183,055)	(8,650,984)	(8,650,984)	49%
1675 - Repayment of Business loans(CIE)	(100)	0	0	(133)	NA
1700 - National/District Roll Sales	(1,260)	(10,000)	(10,000)	(1,678)	13%
1705 - Electoral Various Fees	(67,500)	(150,000)	(150,000)	(89,918)	45%
1901 - Exim Loan Equipment Receipt	(5,435,349)	0	(7,064,000)	(7,064,000)	77%
	<u>(54,458,825)</u>	<u>(60,295,357)</u>	<u>(71,447,539)</u>	<u>(71,435,664)</u>	<u>76%</u>

Taxation revenue

Taxation revenues remain strong and are in aggregate 84% collected. Estimates for both Employment/Withholding tax and Business Profits tax were increased during the year. Employment/Withholding tax is performing better than the revised estimates at 95% collected and is expected to exceed the target. Business Profits tax at 77% collected is on-target to meet its revised budget. The revised tax outcomes are predicated on no significant changes to the expatriate RPC-related workforce and contracting arrangements.

Table 4 Taxation revenue Qtr.3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
1190 - Telecom Tax	(1,608,285)	(1,800,000)	(1,800,000)	(1,800,000)	89%
1590 - Employment/Non-resident Withholding Tax	(12,375,086)	(12,000,000)	(13,025,700)	(13,025,700)	95%
1591 - Business Profit Tax	(17,176,492)	(15,000,000)	(22,300,000)	(22,300,000)	77%

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
	<u>(31,159,862)</u>	<u>(28,800,000)</u>	<u>(37,125,700)</u>	<u>(37,125,700)</u>	<u>84%</u>

Visa Fees

Visa fees -Other Business (1575) and Visa fees -RPC Resettlement at 85% and 115% collected respectively are well ahead of the revised budget estimates. There are lower numbers of refugees residing on the island and it is expected that these revenues will moderate in the last quarter. For this reason, Visa fees -Other Business is expected to meet the budget estimate and Visa fees for refugees should collect around \$20.0 mil for the year.

Table 5 Visa Revenues Qtr. 3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
1330 - Visa Check up	(7,021)	(12,000)	(12,000)	(9,353)	59%
1335 - Visa Fees - RPC	(831,200)	(1,200,000)	(1,200,000)	(1,107,255)	69%
1575 - Visa Fees (Other Business)	(2,207,752)	(2,600,000)	(2,600,000)	(2,600,000)	85%
1580 - Visa Fees - RPC Resettlement	(16,574,430)	(12,000,000)	(14,400,000)	(20,000,000)	115%
	<u>(19,620,403)</u>	<u>(15,812,000)</u>	<u>(18,212,000)</u>	<u>(23,716,608)</u>	<u>108%</u>

Import Duties

The original estimates for Customs duties in the budget remain unchanged and are in aggregate 75% collected. Tobacco, Sugar, Machinery and Jet A1 are well ahead of budget collection rates. Alcohol and Diesel collections are below expectations for the third quarter.

Table 6 Import duties Qtr.3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Collected
1140 - Customs and Excise Duty - Tobacco	(3,923,243)	(4,772,288)	(4,772,288)	(4,772,288)	82%
1145 - Customs and Excise Duty - Alcohol	(1,033,228)	(2,019,600)	(2,019,600)	(1,376,381)	51%
1150 - Customs and Excise Duty - Sugar	(620,925)	(642,419)	(642,419)	(642,419)	97%
1155 - Customs and Excise - Machinery/Vehicle/Equip.	(768,550)	(680,000)	(680,000)	(768,550)	113%
1160 - Customs and Excise Duty - Other	(2,061,731)	(3,000,000)	(3,000,000)	(2,746,466)	69%
1165 - Customs and Excise Duty - Petrol Sales	(1,714,528)	(2,200,000)	(2,200,000)	(2,200,000)	78%
1170 - Customs and Excise Duty - Diesel Sales	(1,939,166)	(3,000,000)	(3,000,000)	(3,000,000)	65%
1175 - Customs and Excise Duty - JetA1	(188,460)	(100,000)	(100,000)	(251,051)	188%
	<u>(12,249,831)</u>	<u>(16,414,307)</u>	<u>(16,414,307)</u>	<u>(15,757,155)</u>	<u>75%</u>

Operating Expenditure Analysis

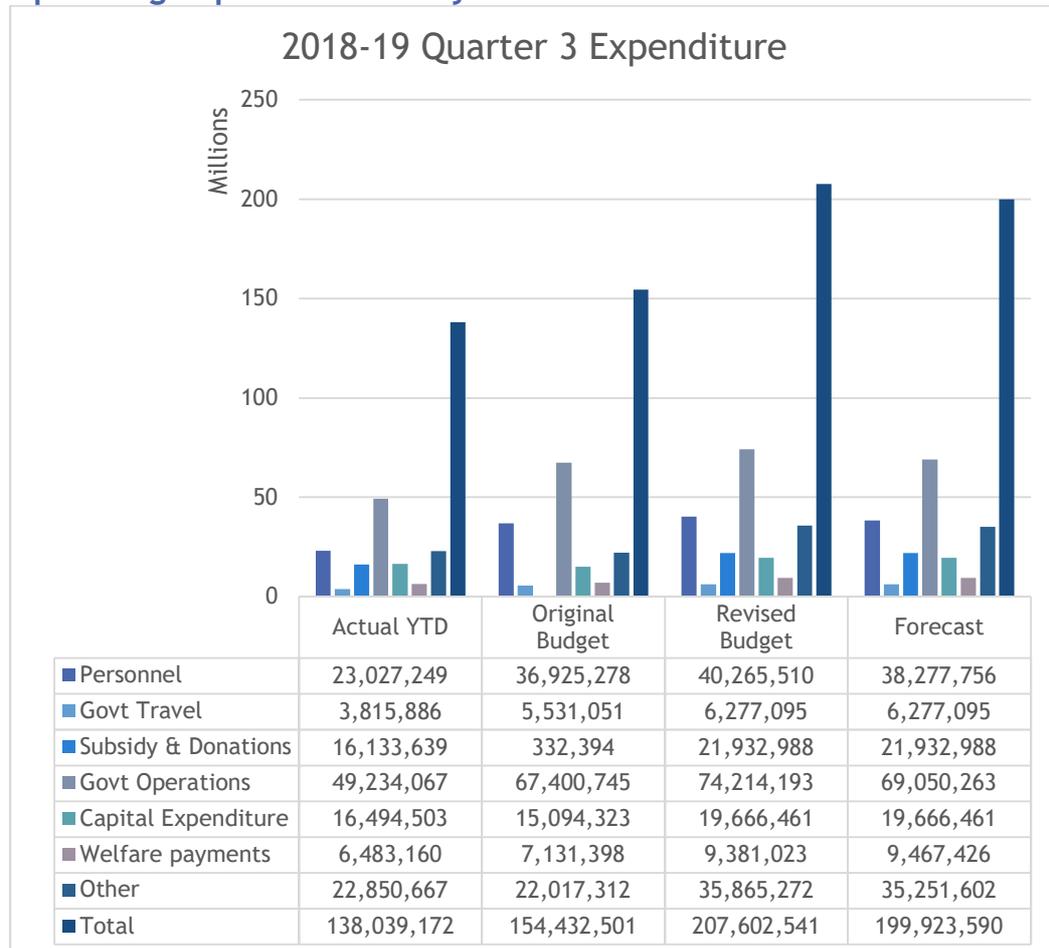


Figure 3 Expenditure by major groups Qtr.3

The grouping of expenditures has been aligned with those used in the preparation of the budget document and the Government's Fiscal Management Model (FMM). This has been done to improve reporting consistency across in-year budget reporting and to allow easier comparison between documents. Differences in the groupings can be determined from comparison of the spending tables.

Expenditure on Goods and Services associated with Government operations is the largest area of budgeted expenditure representing 36% of total spending to date. It is however spending below expectations at 66% spent. Other spending is the second highest area of outlays (17%) but has moderated spending since the first quarter and is below expectations at 64% spent. Personnel costs were 17% of outlays and are showing a low level of spending (57%). This is due, in part, to the recent salary increase that was included in the Supplementary budget that has not been paid-out.

Expenditure on Subsidies and donations has increased from 5% of outlays at the mid-year to 12% at the end of the third quarter. This has been due to considerable resources having to be paid to maintain the operations of SoE's during the quarter. Similarly, capital expenditure has increased and now represents 12% of spending and is spending (84%) ahead of targets. This is primarily due to the Government's contribution to the new Port Project being fully expensed to a separate bank account during the quarter.

In aggregate Welfare payments (5% of outlays; 69% spent) and Government Travel (3% of outlays; 61% spent) are both spending below expectations.

Personnel Spending

As mentioned above the recent Supplementary Appropriation provided funding for a pay increase which will not be distributed until a consultant's report is provided. All budget lines associated with personnel spending are spending below budget expectations. On current trends there are considerable expected savings from Staff training (2040) and recruitment costs (2045).

Table 7 Salaries and Wages expenditure Qtr. 3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2005 - Salaries & Allowances - (MP's)	735,871	1,164,139	1,161,939	1,161,939	63%
2010 - HE Salary & Allowances	73,869	105,034	105,034	98,403	70%
2015 - Salary - Local	12,601,762	19,453,768	22,322,729	22,322,729	57%
2020 - Salary Expatriate	5,696,576	9,264,667	8,536,554	7,618,992	67%
2025 - Allowances - Staff Contract	1,198,437	2,018,263	2,003,335	2,003,335	62%
2026 - Directors Fees	11,450	54,150	54,150	17,850	25%
2035 - Overtime - local	602,208	819,930	833,430	802,278	72%
2040 - Staff Training	358,807	1,442,674	1,305,089	489,414	28%
2045 - Recruitment	28,252	79,000	84,000	38,235	34%
2050 - Uniforms & Protective Clothing	165,706	362,653	361,942	239,596	50%
2072 - Meals and Drinks - Staff	53,187	0	83,307	70,984	64%
2651 - GON Contributions	1,392,423	2,161,000	3,414,000	3,414,000	41%
	<u>22,918,548</u>	<u>36,925,278</u>	<u>40,265,510</u>	<u>38,277,756</u>	<u>57%</u>

Goods and Services

Overseas Medical Referrals (2475) from the Health Department is the only area of Goods and Services expenditure that has significant forecast over-spending. Currently OMR is forecast to exceed revised budget spending by \$739K. Government purchasing of Petrol (2275) and Diesel (2280) are also trending to currently exceed budget provisions.

Most areas of Goods and Services spending is below budget expenditure. Based on current spending significant savings are expected in House rentals (2155) \$1.449 mil; Legal fees external (2060) \$1.064 mil; R&M Buildings (2185) \$689K; Printing and Stationary (\$456K) and TVET Supplies (2132) \$402K.

Table 8 Goods and Services expenditure Qtr. 3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2030 - Salaries - Other Contracts	20,628,959	27,269,166	27,069,718	27,069,718	77%
2055 - Consultants fees	5,175,924	2,028,795	6,069,772	6,069,772	87%
2060 - Legal Fees - External	25,952	1,100,000	1,088,930	34,571	2%

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2100 - Entertainment	418,036	628,656	688,116	590,371	64%
2105 - Official Celebrations	303,144	377,475	404,866	403,889	75%
2110 - Protocol	53,814	63,500	63,500	72,819	86%
2130 - Printing & Stationery	143,076	670,305	656,945	200,511	23%
2132 - TVET Supplies	93,605	527,000	527,000	124,692	18%
2135 - Stores	219,808	546,844	543,727	309,298	43%
2155 - House Rental	3,342,992	5,847,505	5,902,505	4,453,256	57%
2160 - Land Rental	2,595,283	7,656,460	7,656,460	7,656,460	34%
2165 - Office Rental	271,255	580,158	575,658	361,344	47%
2185 - R&M - Buildings	679,251	1,205,548	1,727,478	1,038,431	45%
2190 - R&M - Office Equipment	33,627	152,479	150,079	44,796	22%
2191 - R&M Medical Equipment	0	247,230	247,230	0	0%
2195 - R&M - Office Premises	14,038	39,335	54,876	45,011	62%
2200 - R&M - Motor Vehicles	179,167	133,411	396,511	260,572	49%
2205 - R&M - Plant	78,313	323,421	283,921	107,491	28%
2210 - R&M - Aerodrome	96,912	68,400	100,236	100,236	97%
2225 - Agricultural Supplies	9,131	28,000	28,000	12,164	33%
2255 - Warehouse Procurement	80,409	200,000	200,000	112,688	42%
2275 - Purchase of Petrol	416,133	478,229	552,401	579,234	79%
2280 - Purchase of Diesel	677,568	629,206	898,479	936,868	78%
2290 - Purchase of Fuel - Other	1,703	10,793	10,793	2,268	16%
2315 - Electricity	2,680,720	4,097,364	4,091,009	4,091,009	68%
2330 - Telephone / Internet	1,811,388	2,558,525	2,507,129	2,419,574	72%
2350 - Freight	672,305	2,000,000	2,000,000	2,000,000	34%
2372 - Nauru Radio Supplies	1,471	13,000	13,000	13,116	76%
2373 - Media TV Supplies	8,625	25,050	25,050	28,322	85%
2375 - ICT Supplies	11,671	74,105	74,105	58,760	60%
2460 - Medical Expenses	6,250	15,571	15,571	8,326	40%
2461 - Primary Health Care Services	32,559	52,731	52,731	43,373	62%
2463 - Environmental Health and Food safety	33,305	50,000	50,000	45,166	68%
2464 - Management Monitoring & Evaluation	0	20,000	20,000	0	0%
2467 - Drugs and Medicines	700,711	700,000	700,000	700,000	100%
2468 - Dental Supplies	64,454	90,000	90,000	85,861	72%
2469 - Dialysis Supplies	120,884	350,000	350,000	350,000	100%
2471 - Medical Consumable	653,814	700,000	700,000	700,000	93%
2472 - Laboratory supplies	164,994	348,000	348,000	348,000	47%
2473 - Radiology Supplies	19,996	20,000	20,000	26,637	100%
2474 - Clinical Education Supplies	0	20,000	20,000	20,000	0%
2475 - Overseas Medical Treatment	2,896,250	2,000,000	3,142,709	3,881,932	93%

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2575 - Local Transport	771,256	1,335,871	1,251,006	1,039,174	62%
2585 - Rations	1,853,260	2,013,771	2,569,893	2,505,925	73%
2590 - Correctional Services Supplies	3,757	13,122	13,122	5,004	29%
2600 - Postage	2,845	12,269	14,769	3,789	19%
2605 - Library/Periodicals	0	2,000	2,000	0	0%
2610 - Survey Supplies	534	2,000	1,450	711	37%
2620 - Lease & Charter Payments	35,574	56,500	56,500	47,389	63%
2625 - Family Court Expenses	1,600	6,000	6,000	2,931	37%
2630 - Safe House	18,542	12,950	182,950	38,807	16%
	<u>48,104,862</u>	<u>67,400,745</u>	<u>74,214,193</u>	<u>69,050,263</u>	66%

Social Expenditure

At 69% spent Social spending is below expectations. With the exceptions of Super Contributions (2405 & 2410) and Scholarships (2440) all social spending is at or above the expected rate. Third quarter forecasting indicates that Social Welfare lines (2390; 2395) and aged pensions (2400) and disability pensions (2420) will spend above budget expectations. It is expected that the current low level of spending associated with Superannuation contributions will be rectified by payments to the respective schemes in the next quarter.

Table 9 Social Expenditures Qtr. 3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2220 - Nauru Community Housing	2,763,422	2,050,000	3,420,000	3,420,000	84%
2390 - Social Welfare - Birth Claims	23,800	30,000	30,000	31,704	79%
2395 - Social Welfare - Death Claims	114,720	130,000	130,000	155,485	90%
2400 - Social Services - Aged Pensions	1,562,200	2,080,000	2,080,000	2,081,033	75%
2405 - Social Services - Super Contributors	61,206	130,000	130,000	130,000	47%
2410 - Social Services - Super Ex MP's	85,980	120,000	970,000	970,000	9%
2420 - Social Services - Disability Payments	629,210	780,000	780,000	838,181	81%
2440 - Scholarships - School & Trade	1,131,824	1,811,398	1,841,023	1,841,023	62%
	<u>6,372,361</u>	<u>7,131,398</u>	<u>9,381,023</u>	<u>9,467,426</u>	69%

Capital spending

Most Capital spending lines are spending at or above budgeted expectations. Overall Capital spending at 84% spent is above expectations. The largest budgeted expenditure was under Buildings & Structures (2495) and represented the Government's required contribution to the Port Project. This was fully expensed during the quarter thereby showing the high (89%) spending rate. All capital spending will be restricted to budgeted appropriation. The low level of utilisation associated with Plant & Equipment purchases (2495) is expected to change as goods are delivered during the last quarter.

Table 10 Capital Expenditure Qtr. 3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2480 - Medical Equipment	113,008	113,400	113,400	113,400	100%
2495 - Plant & Equipment Purchases	744,389	1,471,386	1,714,226	1,714,226	49%
2496 - Building & Structures	14,740,777	13,456,237	16,542,431	16,542,431	89%
2580 - Public Works	741,449	53,300	1,296,404	1,296,404	62%
	<u>16,339,623</u>	<u>15,094,323</u>	<u>19,666,461</u>	<u>19,666,461</u>	<u>84%</u>

Subsidies and Donations

During the quarter the Government has had increasing demands to provide cash to State Owned Enterprises (SoE's). This spending has been separated out as a separate group.

In respect to debt there has been a major change reflected in the treatment of previous payments to Ronphos that were treated as debt repayment. Following a review of the Ronphos debt it has been determined that Ronphos has a significant outstanding liability to Government therefore the previous payments showing as debt payments to Ronphos have been reclassified as Subsidies to SoE's and is shown under 2616 (Subsidies to SoE's). Payments that have been made to the NPRT have been treated similarly.

During the quarter a further \$4.9 mil was provided to Nauru Airlines and has been treated as an equity injection (2376). Supplementary Appropriation No.4 provided a total of \$3.8 mil to EHC to settle some outstanding debt and this is also included under Subsidies to Soe's (2616).

Overall this group is 74% spent and is expected to spend to the appropriation in the next quarter.

Table 11. Subsidies and Donations Qtr3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2376 - Equity Purchases	8,900,000	0	8,900,000	8,900,000	100%
2615 - Other Subsidies & Donations	130,196	332,394	3,087,982	3,087,982	4%
2616 - Subsidies to SoEs	7,103,443	0	9,760,506	9,760,506	73%
2617 - Donations - local	0	0	184,500	184,500	0%
	<u>16,133,639</u>	<u>332,394</u>	<u>21,932,988</u>	<u>21,932,988</u>	<u>74%</u>

Other Government spending

Other Government spending includes debt repayments and non-expense item spending such as contributions to the Nauru Trust Fund. In aggregate this group is 64% spent. The largest expense item in the group is Trust Fund contributions (2650). The current year contributions have been fully expensed however in Supplementary Appropriation No.4 a further \$2.0 mil was provided to pre-pay part of the 2019-20 contributions. For this reason the account is showing 80% spent.

The adjustments made to debt repayments are discussed above. A new account has been added (2801) to provide the necessary appropriation associated with dispensing the Exim Equipment Loan funds to Ronphos. The full value of the loan (USD\$5.0 mil) has been appropriated but at the end of the quarter

only 13% (AUD\$934K) had been dispensed under the loan conditions. It is expected that these funds will be fully dispensed in the last quarter. The remaining debt repayments represent arrears payments made to NUC and the settlement of Health arrears associated with Overseas Medical Referrals. Funds provided for BoN liquidation payments have been slightly overspent. Further spending has also been incurred associated with 50th Anniversary Celebrations but any further spending will be within existing limits.

Table 12 Other Expenditures Qtr3

Description	Actual YTD	Approved Budget (Annual)	Revised Budget (Annual)	Adjusted Forecast	% Spent
2370 - Membership Fees & Subscriptions	428,788	934,373	978,211	978,211	45%
2545 - Debt Repayments - Other	2,247,260	4,165,369	3,168,416	3,168,416	71%
2560 - Educational Expenses - Special	25,149	61,696	53,162	33,501	47%
2565 - Insurance	259,671	447,590	447,590	447,590	58%
2570 - Bank Charges	16,856	29,865	29,865	22,455	56%
2650 - Trust Fund	12,572,309	12,000,000	14,573,000	14,573,000	86%
2652 - Fiscal Cash Buffer	1,055,000	1,000,000	3,155,510	3,155,510	33%
2680 - BON Liquidation- Payment	1,032,027	0	1,000,000	1,000,000	103%
2690 - Foreign exchange gains/losses	0	10,184	47,283	47,283	0%
2695 - 50th Anniversary Independence	4,146,183	2,669,000	4,649,000	4,649,000	90%
2700 - Deportee Removal	10,139	30,000	30,000	13,506	34%
2705 - NEAT Scheme	74,415	169,235	169,235	99,129	44%
2801 - Exim Loan Equipment Expenditure	933,911	0	7,064,000	7,064,000	13%
2999 - Contingency fund	0	500,000	500,000	0	0%
	<u>22,801,707</u>	<u>22,017,312</u>	<u>35,865,272</u>	<u>35,251,602</u>	<u>64%</u>

Cash Flow Position

Total Funds increased during the quarter from \$71.04 mil to \$89.27 mil at the end of March. Receipt of loan funds from Taiwan (Under the Exim Loan Agreement); Fisheries; Business Profits Tax revenues and receipt of Service Fee revenue accounted for the major cash flows in the early part of the quarter. Treasury Available funds remained basically unchanged (from \$46.6 mil to \$47.7 mil) due to revenues being placed in term deposit accounts associated with the Port Project and Fiscal Cash Buffer. The Government has remained well above the IMF recommendation to provide for 2 months non-RPC spending.

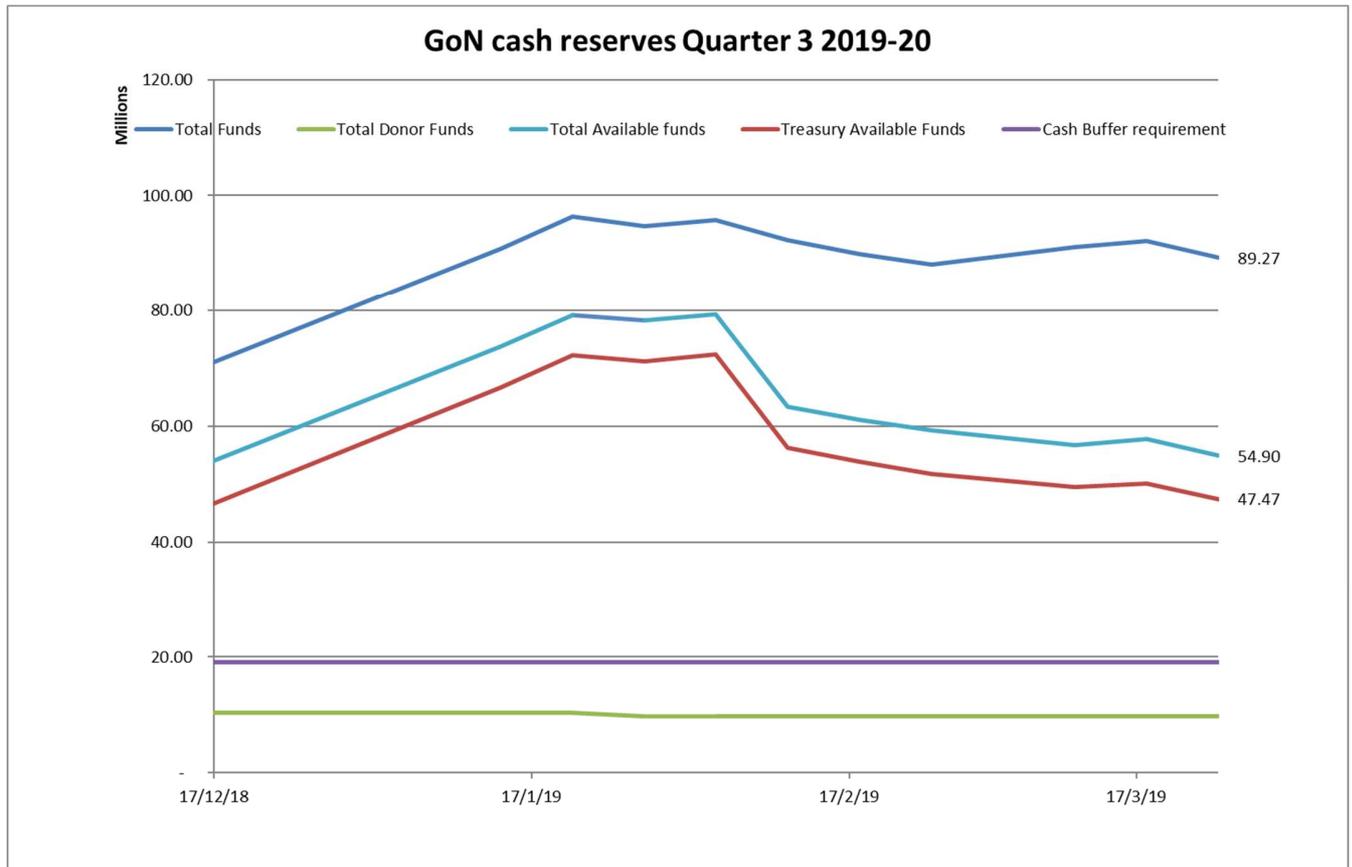


Figure 4 GoN Cash Flow Qtr.3 2018-19