



REPUBLIC OF NAURU

2016-17 BUDGET

BUDGET PAPER 2

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FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2016-17

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PART 1: Economic Outlook

Growth in the Nauruan economy continues to moderate and in the 2015/16 financial year is expected to be around 2.5%¹. Forecasts of GDP growth for next financial year are currently unavailable as the effect of refugees resettled into the economy has not been factored into current estimates. The slowdown in economic growth was expected as the effects of large cash injections into the economy and the start-up costs of the RPC diminish.

The Nauruan economy is highly dependent on the continued operation of the Refugee Processing Centre and the presence of refugees being resettled into the community. There is no current expectation that the level of operation of the RPC's or the number of resettled refugees in the community will change over the near term. As of April 2016 there are 332 asylum seekers in the RPC camps and a further 862 refugees settled in the community². Whilst there is a general election in Australia in July, since off-shore detention is the policy of both major Australian political parties it is thought that this policy is unlikely to change. On this basis it is expected that the economic contribution from this source will continue at current levels. There may be some additional economic output from the contribution of resettled refugees in the community but this has not been quantified.

Revenues associated with licencing the Nauruan EEZ for fishing continue to grow and form the second largest source of Government revenues. Despite regional problems associated with licensing the US Tuna fleet and reported surplus tuna for canning auctioned daily fishing rights have stayed high. It is anticipated that these prices will stabilise at around the current value and any increases will be through the provision of further fishing days.

Phosphate production and exports are below expectations in 2015/16 and proposed productivity increases from new mining equipment and techniques have not eventuated. There have been recent changes to the management of Nauru Rehabilitation Corporation and will address the poor productivity. The expectation is that mining and quarrying will continue to diminish their contribution to the economy.

Continuing problems with the operation of the port has effected both the export of phosphate and the importation of fuel, food and construction materials. It is expected that the installation of a new moorings system by early 2017 will overcome the problems currently being experienced.

Construction of refugee-related buildings such as the hospital, prison and community centre is on-going and adding to economic activity. Prison construction and planned construction of phase 2 of the hospital are expected to maintain the current levels of construction activity.

The global economic outlook is for growth of around 3.0%. Economic growth in Australia is expected to be slightly lower than this over the next two years due to the negative impact of reduced mining investment. However, in 2017/18 it is expected to improve to around 3.0% due to increases in the volume of mining exports³. In this backdrop where Australian interest and inflation remains low along with a low exchange rate it is anticipated that Australia's indirect and direct aid to Nauru will not change over the near term.

¹ IMF forecast of May 2016

² Source Dept. of Multicultural Affairs

³ Pre-election Economic and Fiscal Outlook 2016, Treasury, Commonwealth of Australia

Local inflation has moderated from the 14.2% recorded last year to 8.6%⁴. The major contributors were increases in Transport & Communications, Food costs and Alcohol & Tobacco.

The Government postponed the introduction of the Business profits tax until the 1st of July 2016. The introduction of this tax is the major expansion of the tax base planned over the next year.

PART 2: Economic Statistics

The Government has joined the International Monetary Fund (IMF) and achieving the statistical criteria for data has been met by the statistics office related to System of National Accounts (SNA), Gross Domestic Product (GDP), Balance of Payments (BOP) and Government Financial Statistics (GFS) improving the baseline coverage of economic statistics for quota calculations for 2014 and 2015. Development partners have committed expert assistance in the areas of National Accounts and Balance of Payments.

National Accounts

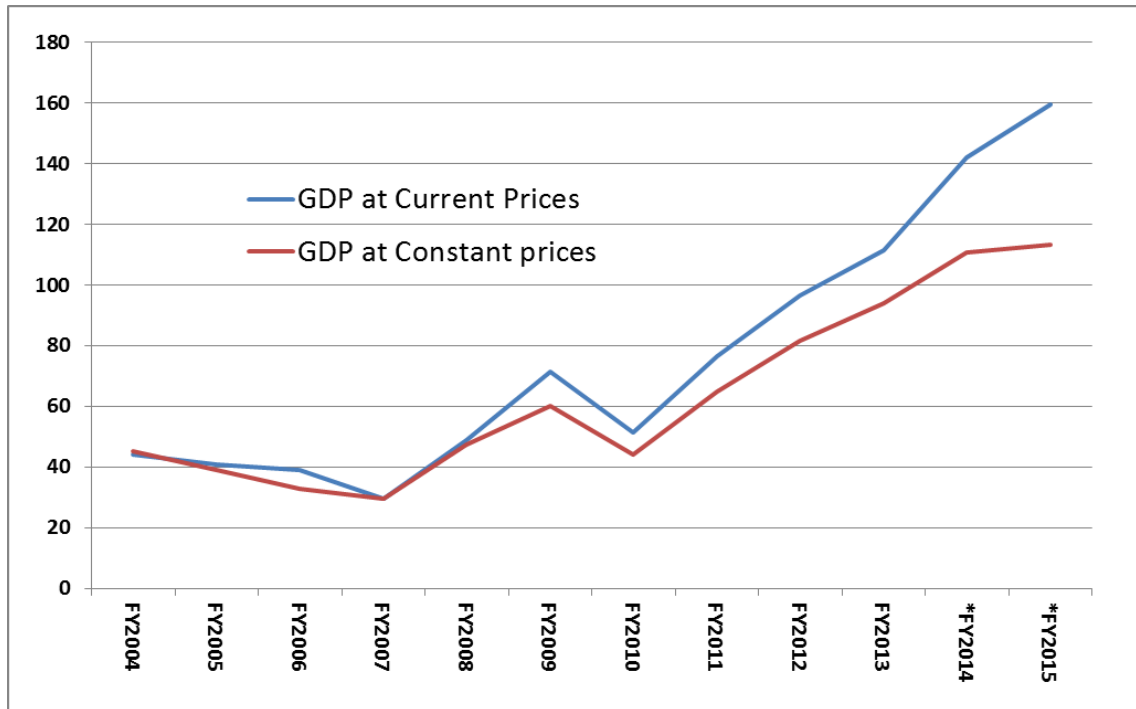
During the period between September 2014 and March 2015 an extensive technical assistance (TA) support was undertaken between the bureau (Government of Nauru) and IMF Pacific Technical Assistance Centre (PFTAC). This concentrated assistance between September 2014 and February/March 2015 was provided to aid with the membership quota for application to IMF. Subsequent follow up missions by IMF according to their Article IV missions will become a regular fixture in the bureau's activities. This estimate was made in line with the standards and recommendations in the UN's System of National Accounts, and so is comparable with estimates made elsewhere using the same system.

The injection of cash into the economy prompted very high growth rates between 2012 and 2014 due to the introduction of the Regional Processing Centre, and the subsequent payments of the Nauru Phosphate Royalties Trust funds accounts and the pending salary arrears by government to landowners and employees. The payments of the NPRT funds and pending salaries arrears estimated at over \$90m resulted in the excessive spending by citizens evident from the excessive imports of motor vehicle, large consumer goods and construction materials from neighbouring pacific island countries.

The reduction of imports from 2013 continues as disposable income decreases and importation of large items such as personal motor vehicles decline, as well as construction materials and related equipment. The reduction of imports from the RPC after finalising the major construction project of the centre is a contributing factor. The current large construction project underway is the refurbishment of the hospital and is expected to phase out before the end of 2016. Other factors that may be attributable to the slowing down of economic growth include increases in duty and damage to the mooring system. The damage of the mooring system and significant decreases in the production of phosphate and manufacturing can explain the increasingly large trade deficit.

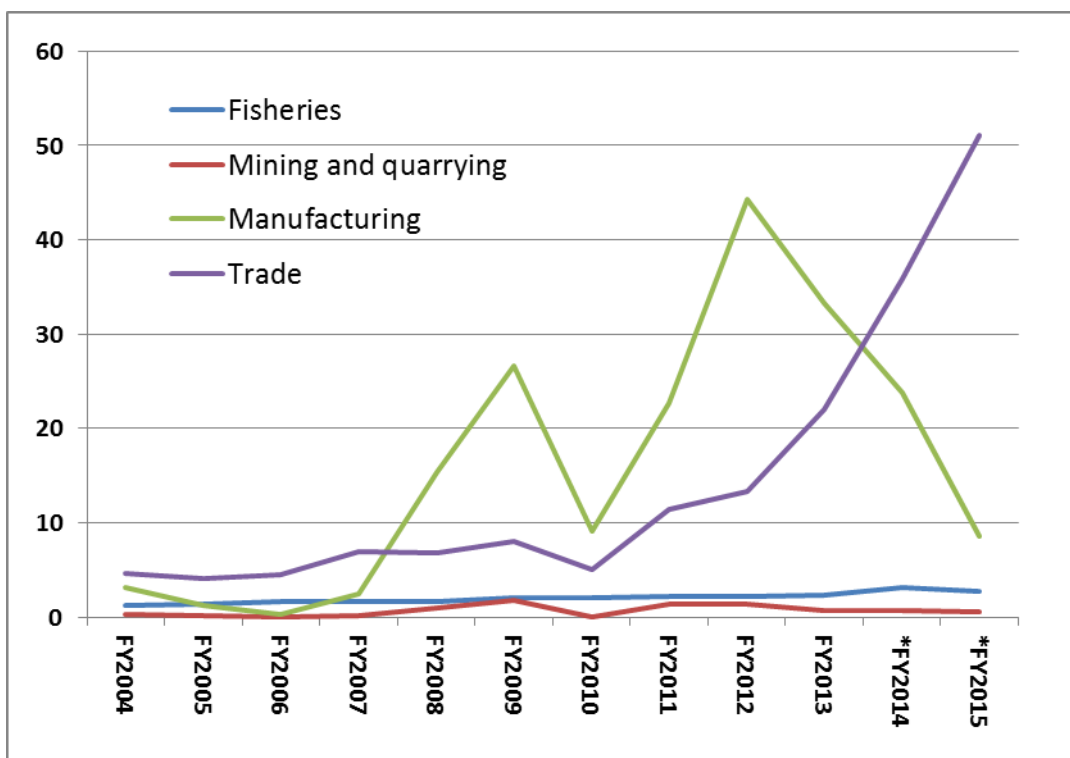
⁴ Annual rate ending December 2014 and December 2015 (See Chart 2)

Chart 1. Nominal GDP at current Prices, and Real GDP at current Prices (2007 Prices) from FY2004 to 2015.



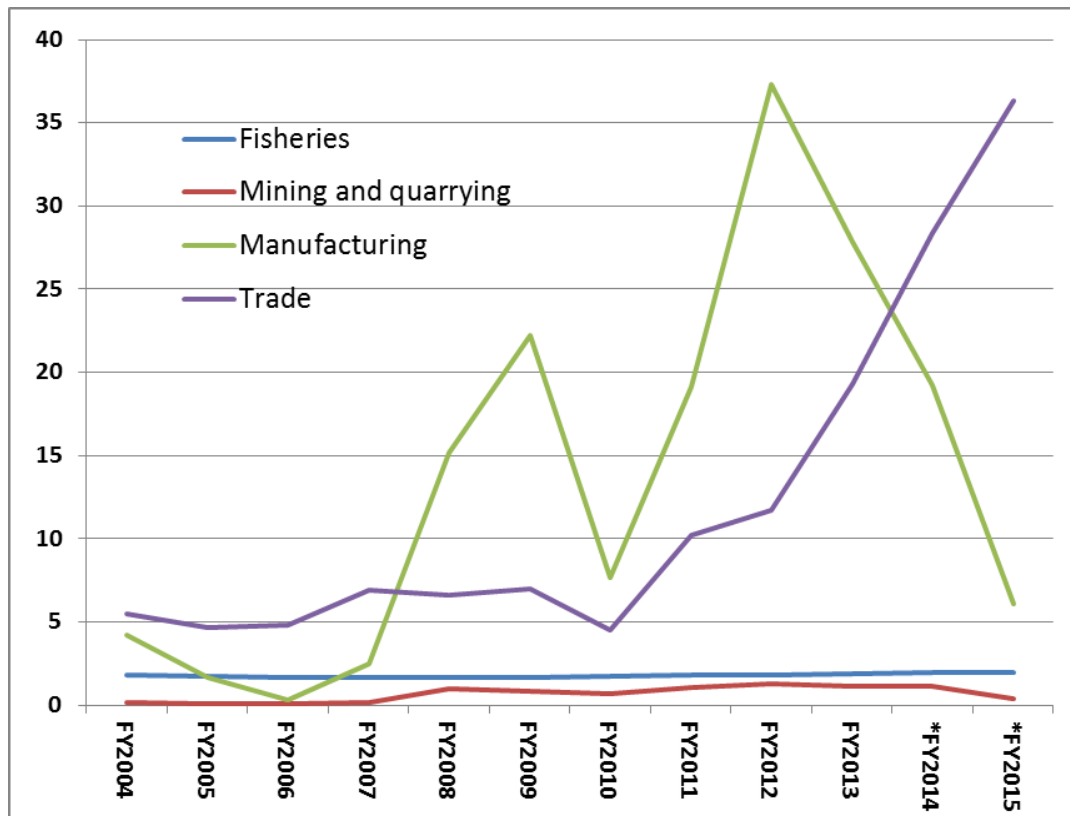
Note: *FY2014 shows preliminary estimates and *FY2015 are projected estimates.

Chart 2. Nominal GDP at current prices 2004-2015 of four major industries.



Note: *FY2014 shows preliminary estimates and *FY2015 are projected estimates.

Chart 3. Real GDP at current prices (2007 Prices) GDP from FY2004 to FY2015 of four major economic industries.



Note: *FY2014 shows preliminary estimates and *FY2015 are projected estimates.

The National Accounts was first reviewed in March of 2014 from FY2012/2013. Due to the absence of some data from state-owned-enterprises figures for years from FY2014/2015 these need to be further revised to incorporate budgetary changes in expense or revenue that have occurred since the previous compilation in September 2014. Revisions were done in March 2015 for the IMF membership. The latest projection incorporates government's accounts on expenditures and prices changes. These projections show GDP growth at above two percent at 2007 prices. Most of the projected growth is attributed to increases in government expenditure. Other issues that need to be taken into consideration is the impact of asylum seekers assimilated into the community and society and their respective contribution to the economy.

1. Projections were obtained from IMF using actual figures from government accounts produced by treasury section and price changes from the bureau in the finance ministry. Nominal GDP at current prices showed a projected increase of 12% from the previous financial year, while Real GDP at constant prices (2007) showed a projected increase of 2.5%. Most of the projected growth is captured from increases government expenditures.
2. RonPhos/NRC outputs in manufacturing and mining & quarrying sectors within the primary and secondary industries have dropped. The manufacturing sector declined by slightly less than 12 percent and mining & quarrying by almost one percent. This had an impact on utility services for the water, electricity and waste management

which also declined. An increase from the construction sector (0.45%) places higher demands on water, electricity and waste management.

3. The Australian Dollar weakened between 2014 and 2015. According to the traded weighted index the AUD fell from 69.9 the previous year to 62.8, a 10.4% decline. By comparison the exchange rates against the USD fell by as much as 19% since 2014. Between 2015 and current year the AUD fell by 2.4%. Constant prices take only volumes into account. A decline in constant prices is expected. But on the other hand the current prices will be higher due to a loss in market value of the AUD. As the AUD starts getting closer to the USD, constant price growth is expected to narrow. The significance of the USD is that this is the negotiated currency used for sale of processed phosphate rock and fisheries revenue ventures by RonPhos and Nauru Fisheries Marine Resources Authority (NFMRA).
4. The average annual inflation was modest throughout 2015 with 2%. There were rises in current prices on intermediate consumption in the construction sector. But in constant prices terms, it is expected to decline or remain relatively flat due to the contraction of the mining and manufacturing sectors.
5. The trends are still the same with mining down and manufacturing down since FY2012. The numbers while different for current and constant the graphs are all moving in the same direction.

Table 1. Gross Domestic Product (GDP) and Growth in Current and Constant (FY2007) Prices

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 Prelim.	FY2015 Proj.		FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 Prelim.	FY2015 Proj.	
Current Prices (million AUD)													Percentage Change												
Primary Industries	2.2	2.2	2.6	2.7	3.5	4.9	3.3	4.7	4.8	4.2	5.6	4.9		2.5	14.6	4.7	22.5	29.0	-51.6	30.3	2.9	-13.8	24.0	-14.3	
Agriculture, forestry and hunting	0.7	0.8	0.9	0.9	0.9	1.1	1.1	1.2	1.2	1.3	1.7	1.5		10.0	16.0	1.7	-1.3	19.3	0.5	4.5	1.4	3.4	26.5	-11.9	
Fisheries	1.2	1.4	1.6	1.6	1.7	2.1	2.1	2.2	2.2	2.3	3.2	2.8		9.7	15.7	1.7	2.0	19.1	0.4	4.5	1.5	3.3	28.6	-15.0	
Mining and quarrying	0.2	0.1	0.1	0.2	0.9	1.7	0.1	1.3	1.4	0.7	0.7	0.6		-163.5	-26.5	53.7	82.9	46.9	-3246.0	96.0	6.5	-99.3	-4.3	-17.9	
Secondary Industries	6.2	4.4	4.9	4.4	18.3	31.3	14.8	27.3	48.9	38.2	30.5	16.9		-39.9	9.4	-11.4	76.1	41.6	-111.6	45.7	44.2	-27.9	-25.2	-81.0	
Manufacturing	3.1	1.3	0.2	2.5	15.4	26.6	9.1	22.8	44.3	33.3	23.8	8.6		-143.0	-416.5	89.9	84.0	42.2	-192.6	60.1	48.6	-33.2	-39.8	-178.2	
Electricity, water and waste management	2.1	2.1	2.1	0.7	0.8	2.5	3.5	2.1	2.2	2.4	3.8	3.8		0.0	0.0	-196.8	11.9	67.8	29.4	-69.0	3.5	9.3	36.5	0.0	
Construction	1.0	1.0	2.5	1.2	2.1	2.3	2.2	2.4	2.4	2.6	3.0	4.6		6.3	58.9	-108.6	43.1	5.9	-3.1	10.2	0.0	5.8	13.0	34.7	
Tertiary Industries	35.4	33.9	30.4	20.9	28.0	32.4	29.8	44.6	40.2	61.2	90.2	119.7		-4.3	-11.7	-45.6	25.4	13.7	-8.8	33.2	-11.1	34.4	32.2	24.6	
Trade	4.6	4.1	4.5	6.9	6.8	8.0	5.0	11.4	13.3	22.0	35.9	51.1		-13.8	10.7	34.5	-2.2	15.6	-59.3	55.6	14.8	39.4	38.6	29.8	
Hotels and restaurants	2.6	2.7	2.2	2.3	2.1	2.5	1.4	1.5	1.9	7.1	11.3	16.6		1.4	-22.7	4.0	-9.8	15.8	-80.4	10.3	17.8	73.8	37.8	31.8	
Transport and communication	9.2	8.1	3.8	-0.6	5.8	6.3	6.7	14.4	6.2	11.3	16.6	24.0		-14.2	-111.5	753.7	110.0	7.8	4.9	53.9	-132.2	45.2	31.7	30.7	
Finance and business services	1.5	1.6	1.8	1.8	2.0	2.9	3.1	3.2	3.5	3.7	5.3	7.0		2.2	13.5	-1.1	8.1	31.5	8.7	2.4	7.0	7.0	29.3	24.9	
Public administration	11.8	11.8	11.8	4.1	4.1	5.3	5.8	6.3	6.6	7.9	11.5	7.8		-0.1	0.8	-190.5	0.2	22.3	8.9	9.1	3.7	16.6	31.4	-47.6	
Education services	0.8	0.8	1.0	1.1	1.5	1.5	1.4	1.4	1.6	1.8	1.9	2.8		3.9	15.1	8.4	29.9	-1.8	-6.7	1.8	8.9	11.5	5.0	32.7	
Health services	1.0	1.1	1.3	1.4	1.6	1.6	1.8	1.7	2.4	2.4	2.7	3.8		3.9	15.1	8.4	13.1	0.4	12.2	-10.5	29.8	4.0	8.2	29.5	
Other services	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.9	1.2		7.4	12.0	1.9	2.7	16.9	1.7	3.3	1.9	3.3	5.6	18.8	
Ownership of owner-occupied dwellings	3.2	3.3	3.3	3.2	3.4	3.5	3.7	3.8	3.9	4.0	4.1	5.4		2.0	-1.5	-1.2	5.6	3.0	5.8	0.8	3.1	2.8	3.2	24.1	
GDP at Factor Cost	43.7	40.6	37.8	28.0	49.8	68.7	47.9	76.6	93.9	103.7	126.3	141.5		-7.8	-7.2	-35.4	43.9	27.5	-43.5	37.5	18.4	9.4	18.0	10.7	
Plus: Taxes on products	0.5	0.5	1.1	1.8	2.0	5.8	5.9	4.4	5.9	10.5	19.0	22.1		-13.8	57.9	39.2	10.5	65.9	1.7	-33.8	24.6	44.1	44.6	14.0	
Less: Subsidies on products	0.0	0.0	0.0	0.0	2.7	2.9	2.5	4.5	3.3	2.7	3.3	3.8		0.0	0.0	0.0	100.0	6.5	-15.0	44.1	-35.3	-22.0	17.6	14.0	
GDP at Current Prices	44.3	41.0	38.9	29.7	49.1	71.7	51.3	76.5	96.5	111.5	142.1	159.7		-7.9	-5.4	-30.9	39.4	31.5	-39.7	33.0	20.7	13.5	21.5	11.1	
Market	26.4	23.0	19.8	17.5	38.5	56.0	34.3	62.5	78.6	86.6	105.2	109.9		-14.5	-16.1	-13.2	54.4	31.3	-63.3	45.1	20.5	9.3	17.7	4.3	
Non-Market	17.4	17.5	18.0	10.4	11.3	12.7	13.6	14.1	15.3	17.0	21.1	19.1		0.9	2.6	-72.8	7.8	11.0	6.4	3.5	8.0	10.3	19.4	-10.4	
Nominal GDP Percentage Change	0.0	-7.3	-5.1	-23.6	65.1	46.0	-28.4	49.2	26.0	15.6	27.4	12.4													

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 Prelim.	FY2015 Proj.		FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 Prelim.	FY2015 Proj.
Constant Prices (million AUD)													Percentage Change											
Primary Industries	3.0	2.9	2.7	2.7	3.5	3.4	3.4	3.8	4.1	4.0	4.1	3.5		-3.6	-5.9	0.1	23.1	-3.2	-1.3	11.4	7.8	-2.9	2.8	-19.6
Agriculture, forestry and hunting	1.0	1.0	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1		-0.6	-4.9	-3.6	-1.5	1.8	3.0	2.6	1.9	2.8	2.8	2.0
Fisheries	1.8	1.8	1.7	1.6	1.7	1.7	1.7	1.8	1.8	1.9	1.9	2.0		-0.6	-5.0	-3.6	1.7	1.7	3.0	2.6	2.0	2.8	2.8	2.0
Mining and quarrying	0.2	0.1	0.1	0.2	1.0	0.8	0.7	1.0	1.3	1.1	1.1	0.4		-93.8	-45.3	59.4	83.5	-19.0	-18.3	34.8	20.3	-17.9	2.7	-180.2
Secondary Industries	8.3	5.4	5.1	4.4	18.0	26.3	12.4	23.0	41.3	32.1	24.8	12.0		-54.5	-4.8	-17.4	75.7	31.5	-111.9	46.1	44.2	-28.4	-29.8	-106.5
Manufacturing	4.3	1.6	0.3	2.5	15.2	22.2	7.7	19.2	37.3	27.9	19.2	6.1		-160.3	-479.5	88.5	83.8	31.7	-188.5	59.8	48.6	-33.9	-45.3	-215.7
Electricity, water and waste management	3.0	2.7	2.3	0.7	0.8	1.9	2.7	1.6	1.7	1.8	2.8	2.7		-13.5	-16.9	-220.4	9.9	59.3	28.3	-71.0	5.9	9.4	34.5	-5.7
Construction	1.1	1.1	2.6	1.2	2.0	2.1	2.0	2.3	2.3	2.4	2.7	3.2		3.9	57.5	-113.6	40.7	4.6	-6.2	11.9	-1.1	5.8	12.7	15.2
Tertiary Industries	33.3	30.4	24.0	20.9	26.7	27.9	25.2	37.9	33.9	51.1	69.5	85.1		-9.8	-26.6	-15.0	21.8	4.3	-10.5	33.4	-11.8	33.7	26.4	18.3
Trade	5.5	4.7	4.8	6.9	6.6	7.0	4.5	10.2	11.7	19.3	28.4	36.3		-17.5	3.2	30.6	-4.7	5.0	-54.4	55.7	13.0	39.4	31.9	21.9
Hotels and restaurants	1.4	1.5	2.2	2.3	2.0	2.3	1.3	1.4	1.7	6.5	10.0	11.8		7.0	31.8	3.0	-16.2	15.2	-83.3	10.6	16.1	74.1	35.2	15.2
Transport and communication	13.5	11.3	4.3	-0.6	5.3	5.1	5.4	12.0	5.1	9.2	13.2	17.0		-19.7	-162.1	835.7	111.0	-4.0	6.1	54.6	-132.4	44.1	30.4	22.4
Finance and business services	1.6	1.6	1.9	1.8	1.9	2.8	2.9	3.1	3.2	3.5	4.9	5.0		1.1	13.4	-3.1	3.8	32.1	5.3	4.3	5.5	7.0	29.2	1.7
Public administration	4.5	4.4	4.2	4.1	4.1	4.2	4.3	4.5	4.6	4.7	4.8	5.5		-0.6	-5.0	-3.6	1.7	1.7	3.0	2.6	2.0	2.8	2.8	13.0
Education services	1.2	1.2	1.1	1.1	1.4	1.2	1.1	1.2	1.3	1.5	1.5	2.0		-0.6	-5.0	-3.6	22.2	-14.6	-5.7	3.8	8.3	12.4	3.1	23.1
Health services	1.5	1.5	1.4	1.4	1.4	1.3	1.5	1.4	1.9	2.0	2.1	2.7		-0.6	-5.0	-3.6	3.5	-12.1	13.0	-8.2	29.3	4.3	2.7	23.1
Other services	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8		-0.6	-5.0	-3.6	1.7	1.7	3.0	2.6	2.0	2.8	2.8	7.0
Ownership of owner-occupied dwellings	3.5	3.5	3.3	3.2	3.3	3.3	3.4	3.5	3.6	3.7	3.8	3.9		-0.6	-5.0	-3.6	1.7	1.7	3.0	2.6	2.0	2.8	2.8	1.5
GDP at Factor Cost	44.6	38.6	31.8	28.0	48.2	57.6	41.0	64.7	79.3	87.3	98.4	100.5		-15.6	-21.4	-13.9	42.0	16.3	-40.4	36.6	18.4	9.2	11.3	2.1
Plus: Taxes on products	0.6	0.5	1.1	1.8	1.9	5.1	5.3	4.0	5.2	9.2	15.0	15.7		-17.5	54.1	35.5	8.6	61.5	4.7	-33.5	23.0	44.1	38.3	4.8
Less: Subsidies on products	0.0	0.0	0.0	0.0	2.7	2.4	2.1	3.8	2.8	2.3	2.7	2.7		0.0	0.0	0.0	100.0	-10.7	-13.5	43.7	-35.2	-22.6	15.2	1.5
GDP at Constant prices	45.3	39.2	33.0	29.7	47.5	60.2	44.2	64.9	81.7	94.2	110.7	113.5		-15.6	-18.7	-10.9	37.4	21.2	-36.3	31.9	20.5	13.3	14.9	2.5
Market	33.2	27.3	21.0	17.5	37.3	46.9	29																	

Balance of Payments

Producing reasonable BOP estimates and other National Accounts Survey (NAS) aggregates that are dependent on BOP and GDP(E) aggregates remain an issue due to lack of robust data. Aside from the lack of good quality merchandise trade data, data on trade in services, primary and secondary income, capital transfers and financial account transactions are limited to what can be extracted from Government and SOE financial statements. Using data from these financial records also requires making assumptions on what revenue and expense items relate to transactions with non-residents. Transactions with companies operating the RPC need to be observed and reviewed and the financial statements from these entities need to be released or acquired. The same considerations also apply to DIGICEL the sole provider of telecommunication and internet services. Recommendations have been made to improve data collection (i.e. BOP and NAS surveys) and the use of existing administrative data in order to produce reasonable quality BOP and GDP(E) estimates. The latest developments within Customs in introducing an automated system for capturing merchandise trade data is expected to see improvements. The bureau is collaborating with customs authorities.

Nauru Bureau of Statistics has been working in partnership with technical experts from the International Monetary Fund's Pacific Financial Technical Assistance Centre (PFTAC) on producing regular BOP figures which began in 2010–11. Current work and technical assistance received from the Secretariat of the Pacific Community Statistics for Development Division (SPC/SDD), on reconciliations between international merchandise trade statistics (IMTS) and general merchandise for BOP and NA is in the final stages of development. The actual data anticipated to be received from Customs coupled with the aforementioned reconciliations shall significantly assist in improving BOP and NA compilations, in terms of timeliness and quality.

The NBS has established an ongoing working relationship with PFTAC/IMF for the Article IV requirements for BOP and NA. The latest estimates were compiled revising 2012 figures and include a partial International Investment Position statement. New estimates for the latest years will be available in June 2016 from the next review.

An action plan for balance of payment compilation has been updated for the years 2015 to 2017, which cover areas such as development of international merchandise trade statistics; collection of data with the National Accounts compilers to ensure a consistent approach to respondents. A shift towards a quarterly data collection and compilation schedule is not yet realistic as there are improvements to be made in data capturing, sharing, system framework development and appropriate policy implementations.

A review of the Balance of Payments accounts occurred during September 2013 followed by two other missions in September 2014 and February 2015, with technical assistance provided by experts from the Pacific Technical Assistance Centre (PFTAC). The next review and compilation is set for June 2016 to revise the 2014 figures and produce estimates for 2015.

Table 1: Nauru Balance of Payments Summary \$'000

(in thousands of Australian dollars, unless otherwise indicated)

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Current account								
Goods credit	1,758.2	36,320.3	48,042.4	24,400.0	37,272.5	67,394.9	58,150.7	50,706.3
of which: Re-exports	0.0	0.0	0.0	0.0	0.0	4,381.5	7,932.6	14,080.8
Goods debit	24,421.9	23,807.1	28,223.0	17,697.3	28,632.4	33,641.4	53,591.9	85,282.1
Goods balance	-22,663.7	12,513.2	19,819.3	6,702.7	8,640.1	33,753.5	4,558.7	-34,575.8
Services credit	2,159.7	2,030.1	2,019.1	3,966.0	4,070.6	3,740.3	21,823.1	22,278.1
Services debit	...	7,297.0	9,184.9	8,072.5	16,267.6	17,313.0	29,592.6	52,181.0
Services balance	...	-5,266.8	-7,165.8	-4,106.5	-12,197.0	-13,572.8	-7,769.5	-29,902.9
Goods and services balance	...	7,246.4	12,653.6	2,596.2	-3,556.9	20,180.8	-3,210.8	-64,478.8
Primary income credit	10,557.1	9,155.3	15,368.4	12,788.6	11,541.1	23,031.7	29,186.6	32,091.3
Primary income debit	327.7	5,843.2	4,631.7	3,581.9	3,281.0	3,043.8	2,622.4	2,435.6
Primary income balance	10,229.4	3,312.1	10,736.7	9,206.7	8,260.1	19,987.9	26,564.2	29,655.6
Secondary income credit	9,988.8	14,024.1	17,479.8	16,080.5	20,167.0	4,607.5	12,072.3	31,959.3
Secondary income debit	2,348.2	2,365.5	2,466.9	1,994.6	5,607.9	6,420.8	12,563.0	9,316.4
Secondary income balance	7,640.6	11,658.6	15,012.9	14,086.0	14,559.1	-1,813.3	-490.7	22,642.9
Current Account Balance	#VALUE!	22,217.1	38,403.2	25,888.9	19,262.3	38,355.4	22,862.8	-12,180.3
Capital account								
Capital transactions credit	2,366.6	3,397.6	4,271.3	3,940.4	4,790.8	880.0	2,460.0	3,238.4
Capital transactions debit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Account Balance	2,366.6	3,397.6	4,271.3	3,940.4	4,790.8	880.0	2,460.0	3,238.4
Net lending/borrowing (Current+Capital Accounts balances)	...	25,614.7	42,674.5	29,829.3	24,053.1	39,235.4	25,322.8	-8,941.9
Financial Account								
Net incurrence of assets	1,031.3	18,018.4	705.1	5,556.5	12,153.4	31,896.4	16,152.5	1,175.1
Net incurrence of liabilities	0.0	0.0	-16,348.0	-23,661.0	-3,759.6	-3,121.8	-1,555.9	-1,139.6
Net lending/borrowing (Financial account)	1,031.3	18,018.4	17,053.2	29,217.5	15,913.0	35,018.2	17,708.4	2,314.7
Net errors and omissions	...	-7,596.4	-25,621.4	-611.7	-8,140.1	-4,217.2	-7,614.4	11,256.5

Table 2. Nauru International Investment Position \$'000

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Assets at end of year								
Direct investment	100,385.1	102,199.3	104,605.5	106,865.7	113,399.9	119,030.1	122,474.3	36,805.4
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	-	-	-	-	-	-	-	-
Other investment	1,870.8	16,469.1	12,171.1	14,288.1	19,061.0	38,331.0	54,558.0	113,118.7
Reserves	1,166.0	1,116.4	1,896.1	3,320.6	2,024.8	6,718.8	5,804.4	20,782.0
Total assets	103,421.9	119,784.8	118,672.7	124,474.4	134,485.6	164,080.0	182,836.8	170,706.1
<i>of which total government's balances</i>	2,394.2	7,047.7	4,823.3	8,214.6	9,009.2	18,002.6	23,545.9	37,382.8
<i>of which aid money</i>	1,228.2	5,931.3	2,927.2	4,894.0	6,966.9	9,744.9	17,613.8	16,472.1
<i>of which others</i>	0.0	0.0	0.0	0.0	17.6	1,538.9	127.7	128.7
<i>check</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities end of year								
Direct investment	...	80.0	80.0	80.0	80.0	80.0	80.0	80.0
Portfolio investment	0.0	24,396.0	25,530.0	26,664.0	27,798.0	28,932.0	30,066.0	31,200.0
Financial derivatives	-	-	-	-	-	-	-	-
Other investment	0.0	80,106.6	59,794.6	41,755.9	35,690.5	29,989.3	26,299.8	23,052.8
Loans (long and medium term)	0.0	66,567.0	47,166.0	29,302.2	23,339.2	17,473.2	13,003.2	9,677.2
Other (informal debt)	0.0	9,797.0	8,886.0	8,709.0	8,328.0	7,947.0	7,707.0	7,227.0
Trade credit (short term debt)	0.0	3,742.6	3,742.6	3,744.6	4,023.3	4,569.1	5,589.6	6,148.6
Total liabilities	...	104,582.6	85,404.6	68,499.9	63,568.5	59,001.3	56,445.8	54,332.8
<i>Net international investment position at end of year.</i>	...	15,202.3	33,268.1	55,974.5	70,917.1	105,078.6	126,390.9	116,373.2

Table 3. BOP financial account \$'000

+ indicates an increase and - a decrease

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Incurrence of assets</i>								
Direct investment	1,012.7	3,469.6	4,223.5	4,239.4	8,676.3	7,932.3	5,910.2	-72,363.1
Of which - reinvested earnings	1,012.7	3,469.6	4,223.5	4,239.4	8,676.3	7,932.3	5,910.2	-74,526.1
Portfolio investment	-	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-
Other investment	12.6	14,598.3	-4,298.0	-107.5	4,772.9	19,270.1	11,156.7	58,560.7
Reserves	6.0	-49.6	779.6	1,424.6	-1,295.9	4,694.1	-914.4	14,977.5
Total assets	1,031.3	18,018.4	705.1	5,556.5	12,153.4	31,896.4	16,152.5	1,175.1
<i>of which total government's balances</i>		4,653.5	-2,224.5	3,391.4	794.5	8,993.4	5,543.3	13,836.8
<i>of which aid money</i>		4,703.1	-3,004.1	1,966.8	2,072.8	2,778.1	7,868.9	-1,141.8
<i>of which others</i>		0.0	0.0	0.0	17.6	1,521.3	-1,411.2	1.0
<i>check</i>		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Incurrence of liabilities</i>								
Direct investment	-	-	-	-	-	-	-	-
Portfolio investment	-	24,396.0	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0
Financial derivatives	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	-	0.0	-17,482.0	-24,795.0	-4,893.6	-4,255.8	-2,689.9	-2,273.6
Loans (long and medium term loans)	-	-	-16,571.0	-24,620.1	-4,791.3	-4,420.6	-3,701.6	-2,569.4
Other (informal debt)	-	-	-911.0	-177.0	-381.0	-381.0	-8.8	-263.2
Short term debt (trade credit)	0.0	0.0	0.0	2.1	278.7	545.8	1,020.5	559.0
Total liabilities	0.0	24,396.0	-16,348.0	-23,661.0	-3,759.6	-3,121.8	-1,555.9	-1,139.6

Table 4: Goods Account \$'000

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Goods credit</i>	1,758.2	36,320.3	48,042.4	24,400.0	37,272.5	67,394.9	58,150.7	50,706.3
Merchandise	1,758.2	36,320.3	48,042.4	24,400.0	37,272.5	67,394.9	58,150.7	50,706.3
of which: Re-exports	0.0	0.0	0.0	0.0	0.0	4,381.5	7,932.6	14,080.8
Merchanting	-	-	-	-	-	-	-	-
Non monetary gold	-	-	-	-	-	-	-	-
<i>Goods debit</i>	24,421.9	23,807.1	28,223.0	17,697.3	28,632.4	33,641.4	53,591.9	85,282.1
Merchandise	24,421.9	23,807.1	28,223.0	17,697.3	28,632.4	33,641.4	53,591.9	85,282.1
Non monetary gold	-	-	-	-	-	-	-	-

Table 5: Services \$'000

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Services credit	2,159.7	2,030.1	2,019.1	3,966.0	4,070.6	3,740.3	21,823.1	22,278.1
Manufacturing services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance and repair services n.i.e.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transport	1,097.0	1,080.3	724.0	1,100.0	1,563.0	1,428.6	1,006.0	2,579.0
Travel	907.8	765.5	585.1	676.0	945.0	1,050.4	1,619.6	7,502.6
Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance and pension services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges for of intellectual property n.i.e.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Telecommunications, computer, and information services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other business services	30.0	56.9	580.0	2,059.0	1,429.0	1,125.0	19,058.4	12,054.6
Personal, cultural, & recreational services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government goods and services n.i.e.	124.9	127.4	130.0	131.0	133.6	136.3	139.0	141.8
Services debit	...	7,297.0	9,184.9	8,072.5	16,267.6	17,313.0	29,592.6	52,181.0
Manufacturing services	-	-	-	-	-	-	-	-
Maintenance and repair services n.i.e.	-	-	-	-	-	-	-	-
Transport	4,348.7	4,319.9	5,204.3	4,100.5	11,075.3	12,914.3	20,335.0	36,700.5
Travel	1,603.1	1,756.8	3,145.7	3,196.6	2,834.1	1,841.3	5,800.0	10,191.0
Construction	-	-	-	-	-	-	-	-
Insurance and pension services	74.9	74.0	91.3	63.1	95.9	102.6	164.2	270.3
Financial services	...	73.3	59.6	73.2	87.0	105.0	76.3	62.1
Charges for of intellectual property n.i.e.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Telecommunications, computer, and information services	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other business services	80.1	155.9	258.9	207.8	1,558.1	1,983.8	2,467.3	2,439.6
Personal, cultural, & recreational services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government goods and services n.i.e.	948.0	917.0	424.8	431.0	617.0	365.8	749.4	2,517.5

Table 6: Primary Income \$'000

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Primary income credit</i>	10,557.1	9,155.3	15,368.4	12,788.6	11,541.1	23,031.7	29,186.6	32,091.3
Compensation of employees	69.2	71.1	65.0	65.0	388.0	7,254.0	8,379.0	9,829.0
Investment income	4,843.9	5,241.2	5,192.1	5,296.0	5,444.1	5,734.0	5,963.9	1,600.2
Direct investment	4,731.7	4,893.6	5,055.5	5,217.4	5,379.3	5,541.3	5,703.2	1,311.6
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	66.0	314.4	106.2	61.8	57.9	164.4	241.6	236.0
Reserves	46.2	33.2	30.4	16.9	6.8	28.4	19.2	52.7
Other primary income	5,644.0	3,843.0	10,111.4	7,427.5	5,709.0	10,043.7	14,843.7	20,662.0
<i>Primary income debit</i>	327.7	5,843.2	4,631.7	3,581.9	3,281.0	3,043.8	2,622.4	2,435.6
Compensation of employees	327.7	421.3	401.2	428.5	496.8	623.0	477.0	504.2
Investment income	0.0	5,421.9	4,230.5	3,153.4	2,784.2	2,420.8	2,145.4	1,931.4
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio investment	0.0	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0
Other investment	-	4,287.9	3,096.5	2,019.4	1,650.2	1,286.8	1,011.4	797.4
Other primary income	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 7: Secondary income \$'000

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Secondary income credit</i>	9,988.8	14,024.1	17,479.8	16,080.5	20,167.0	4,607.5	12,072.3	31,959.3
General government	9,683.4	13,719.6	17,145.3	15,821.7	19,223.2	3,625.0	9,924.9	28,921.5
Current taxes	217.0	129.0	60.0	60.0	60.0	105.0	84.9	15,967.9
International co-operation	9,466.4	13,590.6	17,085.3	15,761.7	19,163.2	3,520.0	9,840.0	12,953.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	305.4	304.5	334.5	258.9	943.8	982.5	2,147.4	3,037.7
Personal transfers	200.0	200.0	204.4	167.1	806.0	838.3	1,916.2	2,654.3
Insurance (net premiums and claims)	105.4	104.5	130.1	91.8	137.8	144.2	231.2	383.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Secondary income debit</i>	2,348.2	2,365.5	2,466.9	1,994.6	5,607.9	6,420.8	12,563.0	9,316.4
General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International co-operation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	2,348.2	2,365.5	2,466.9	1,994.6	5,607.9	6,420.8	12,563.0	9,316.4
Personal transfers	2,122.0	2,140.8	2,186.5	1,795.3	5,310.2	6,111.4	12,066.8	8,491.1
Insurance premiums and claims	226.2	224.7	280.4	199.3	297.7	309.4	496.2	825.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 8: Capital transactions \$'000

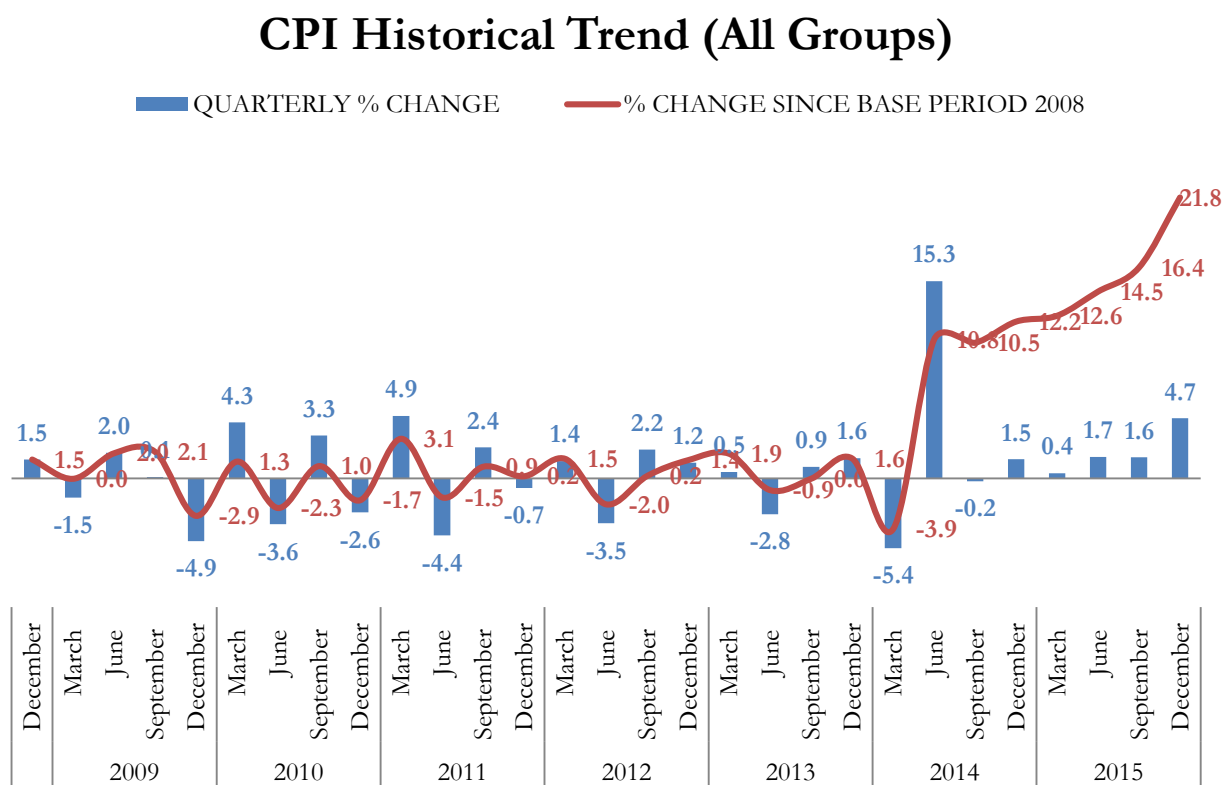
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Capital transactions credit</i>	2,366.6	3,397.6	4,271.3	3,940.4	4,790.8	880.0	2,460.0	3,238.4
Disposal of nonproduced nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transfers	2,366.6	3,397.6	4,271.3	3,940.4	4,790.8	880.0	2,460.0	3,238.4
Government	2,366.6	3,397.6	4,271.3	3,940.4	4,790.8	880.0	2,460.0	3,238.4
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital transactions debit</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of nonproduced nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Consumer Price Index (CPI)

The Historical inflation measuring change since base period as depicted in the linear graph of Chart1 shows that in August 2008 to March 2014 the cost of living was erratic and volatile and the core drivers were commonly traced to fluctuations of Food, Transport and Alcohol & Tobacco index. The main contributor to the spike in June 2014 CPI is a ripple effect of imports tariffs namely for the Miscellaneous and Alcohol & Tobacco index. Inflation continued to climb in the following months till December 2015. Main contributors in the December growth were evident for Transport & Communications, Food and Alcohol & Tobacco.

On the contrary, the quarterly change depicted by the bar graph of Chart1 is quite volatile. The notable change is the one off rise of the quarterly change from the June 2015 which is attributed to increases of Food, Alcohol, Household operations, Transport & Communication and lastly Miscellaneous.

Chart 1. CPI Historical Trend



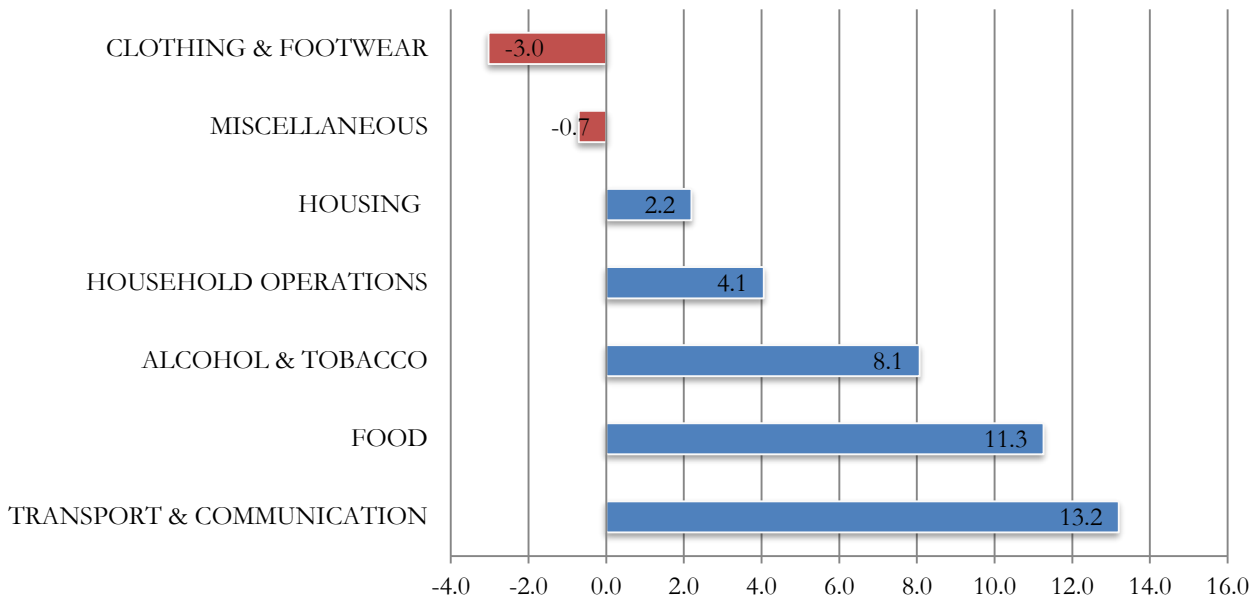
In an annual perspective (Chart 2) for December 2015 the goods and services posted an increase of consumers' prices as a result for increase five out of the seven groups posting positive values.

The largest contributor to the annual price increase is the surge of the Transport & Communications index with 13.2 per cent compared to a year ago. Following similar upward trend is the Food index with 11.3 per cent. The Alcohol & Tobacco index reported slightly smaller annual growth in comparison to the latter indexes with 8.1 per cent. Also trending upward is the Household operations group with 4.1 per cent and lastly the Housing index with 2.2 per cent.

On the contrary, the index for Clothing and Miscellaneous index posted annual deflation with 3.0 and 0.7 per cent respectively.

Chart 2. CPI Annual % change

Major factors in 8.6% increase from a year ago



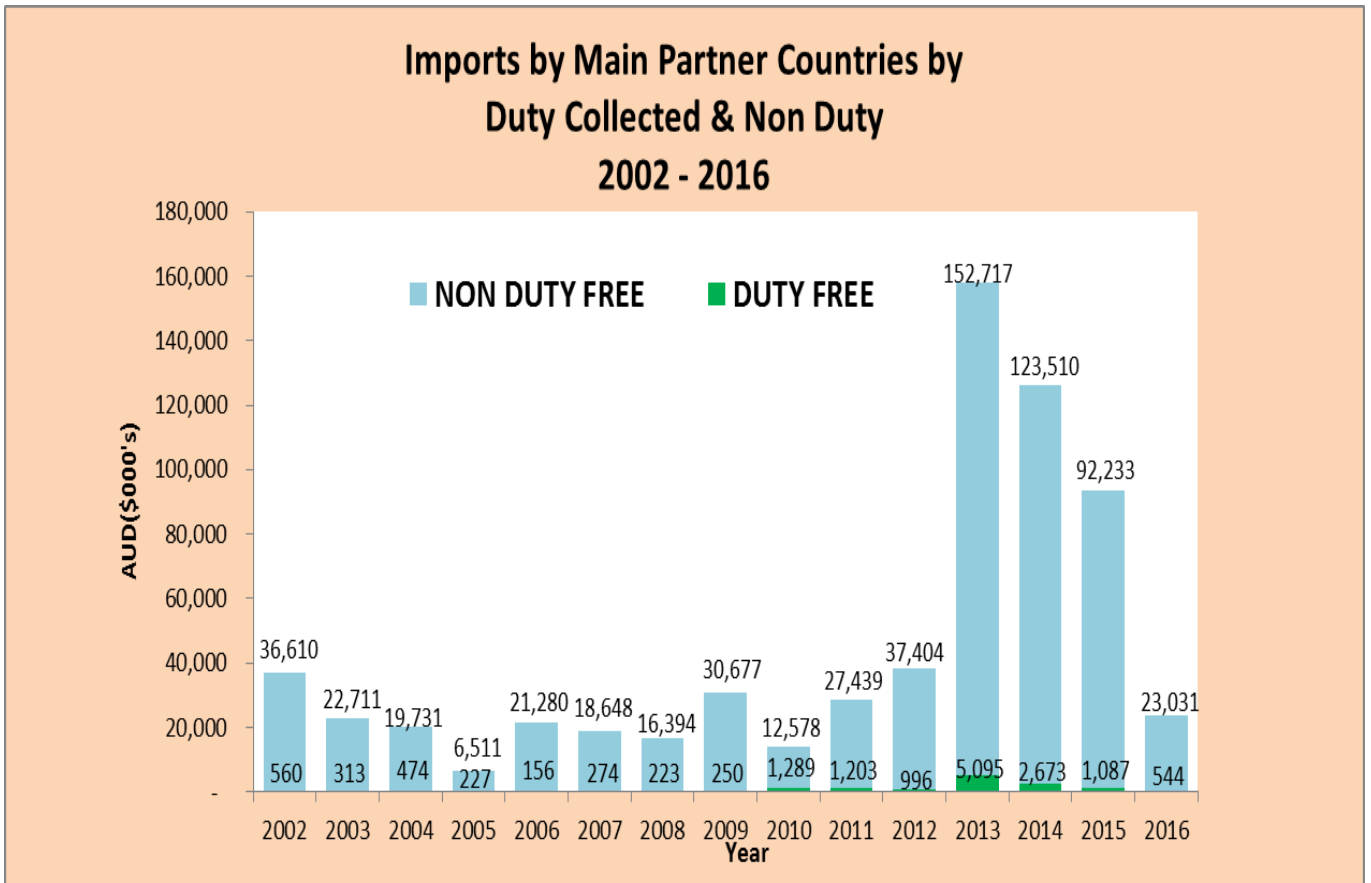
Trade Statistics

Trade statistics is one of the main economic indicators in monitoring sustainable development. It depicts the resilience of economies in terms of self-sufficiency in production, consumption, income and overall welfare at the country level.

Trade Statistics are compiled to serve the many needs of users, including Government, businesses communities and the public at large for their many different uses. It is mandated for the bureau to provide this reliable information with the cooperation from our line agencies especially from Customs. Although recommendation for Customs modernisation to facilitate statistical collection purposes of Trade has been going on for a very long time, very little progress has been instigated.

With the lack of national trade data, the bureau has opted to use secondary sources to accommodate data gaps and analyse the mirror trade data which are shown in the following charts (Charts 3 & 4). Chart 3 shows the value of merchandise imports by dutiable and non-duty goods from its primary trading partner namely Australia, New Zealand and Fiji Islands. It is evident that imports for the last 3 years have slightly increased which is attributed to imports of construction materials, machinery and prefabricated buildings for the Regional Processing Centre. In addition, increased importation of motor vehicles and mineral products are also the priority items for imports.

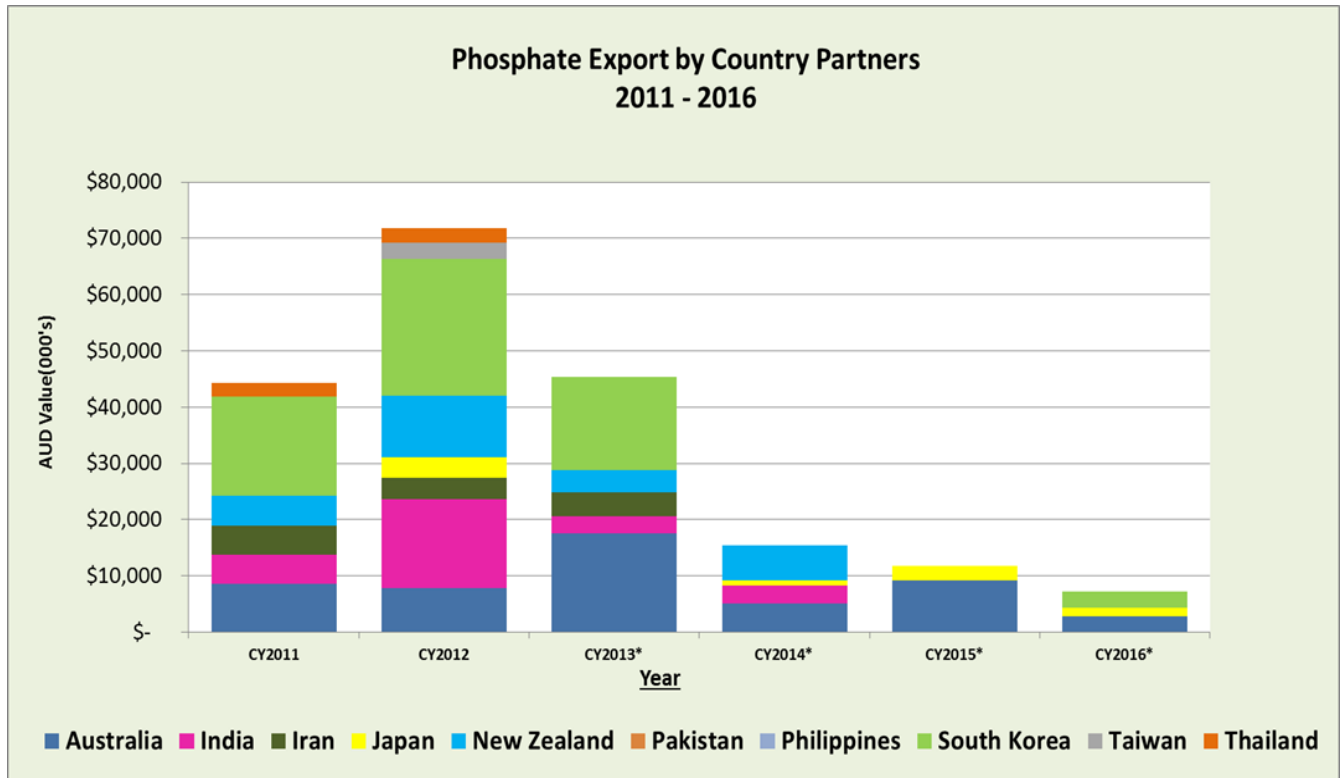
Chart 3. Nauru's Duty free and Non duty-free imports from Main Countries Partners CY2002 – 2016.



Note; CY2015 and CY 2016 exclude Fiji. CY2016 up to Jan-Mar only for Australia/NZ. Mirror data.

Chart 4 below show the latest export figures by main exporting partners with a growing demand from the Asian region but trending downwards as mining slows down due to limited or depleted resources.

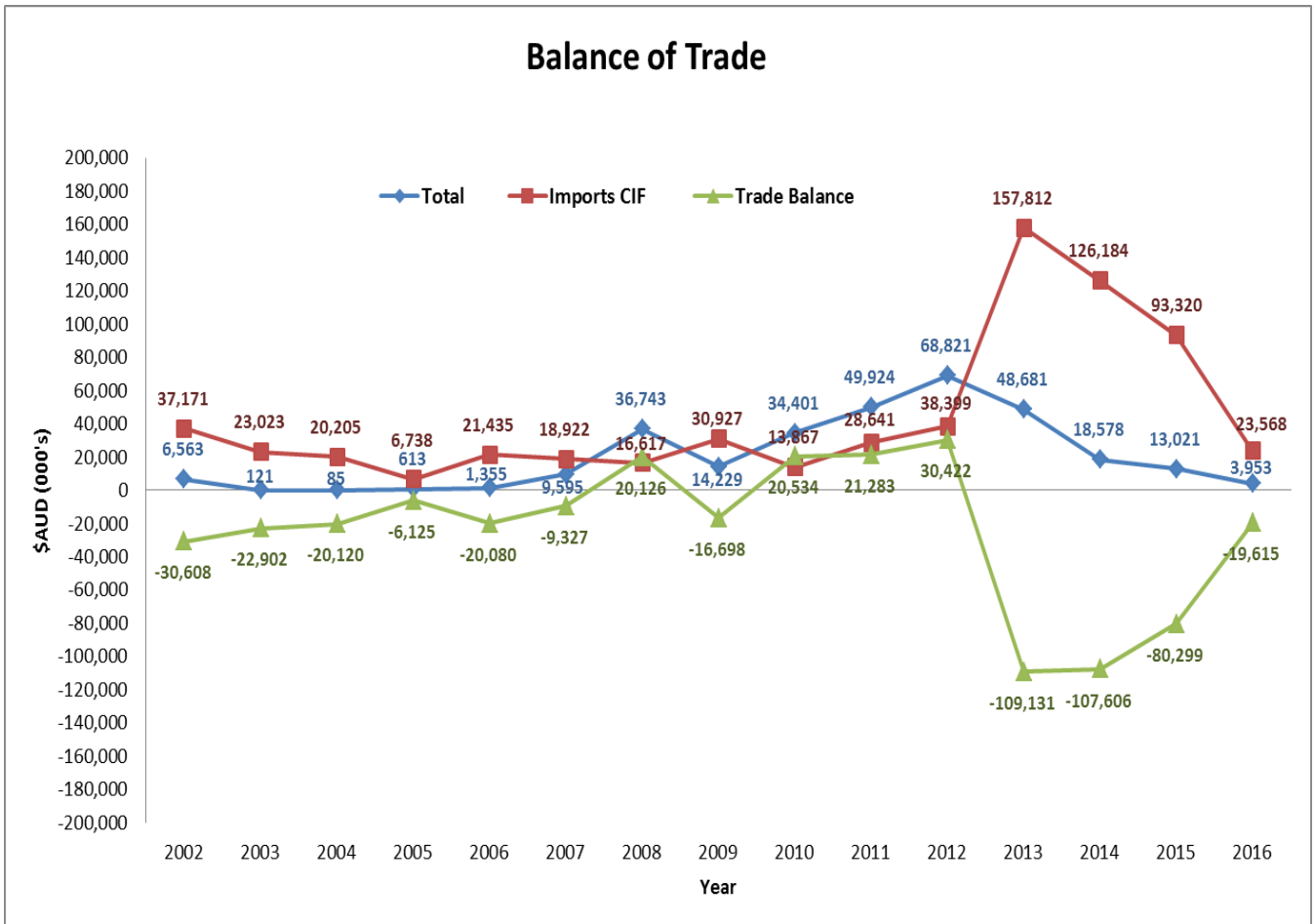
Chart 4. Exports value by primary trading partners, 2011 - 2016



Note: CY2015, CY2016 actual data from RonPhos.

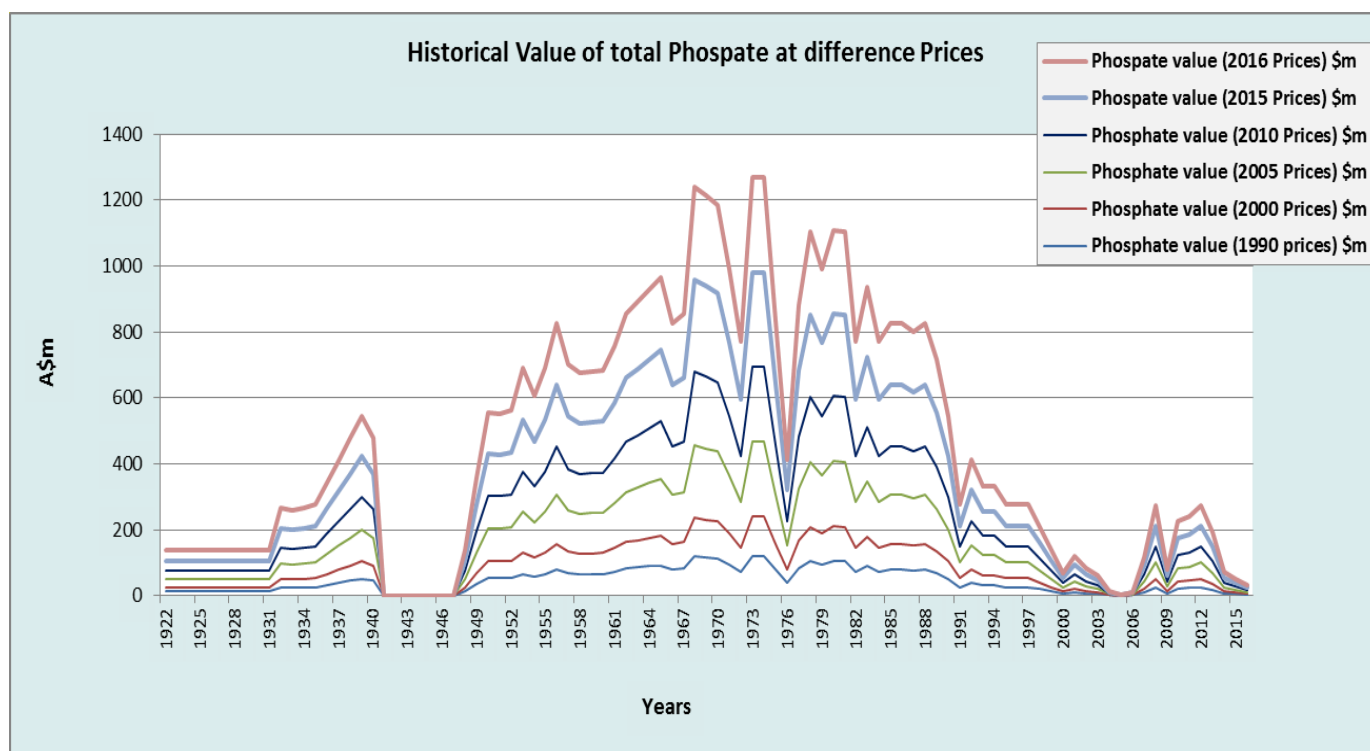
Nauru’s Balance of Trade determines the health of the economy and its international trade relationship with the rest of world. The latest calendar year balance of trade depicted in Chart 6 returned a deficit of AUD\$19 million in 2016 following a larger deficit in 2015 of AUD\$80 million. The deficit recorded in 2009 was caused by the disturbance to the mining production line and major repair was required for the mining infrastructure. We foresee that trade deficit will likely to continue as reported in the earlier years as the economy recovers and imports constantly increase and export expected to decline overtime. Australia remains the main trading partner on a yearly basis while South Korea is close by.

Chart 6. Exports value by primary trading partners, 2012



Note available imports figures are only for Australia and New Zealand. (Source Mirror data). CY2015, CY2016 excludes Fiji. CY2016 for Australia/NZ only upto March quarter. Mirror data

Chart 7. Historical Value of Total Phosphate Export at constant and current prices



Economic growth has reached peak after resurgence of phosphate industry in 2006-2007 (see Chart 7) above; this was achieved through the refurbishment of the mining infrastructure as well as restructuring the administration and the governance structure of the mining corporations. Despite recent rebounds in the industry, estimated income revenues of phosphate remain relatively low when compared to the 1970's and 1980's, when production reached its peak.

Labour Force Statistics

Labour Force Administrative Sources 2013-2016

Table 1. Proportion of Employees of Locals and Expatriates by Employer during Periods 2013-2015

EMPLOYER (%)	LOCAL			EXPATS			TOTAL			
	Y2014	Y2015	Y2016	Y2014	Y2015	Y2016	Y2013	Y2014	Y2015	Y2016
RON Government	39.9	40.5	41.4	3.6	3.5	3.7	38.6	43.5	44.0	45.1
Regional Processing Centre	17.2	17.2	18.9	14.8	13.9	10.4	7.0	32.0	31.1	29.3
Ronphos	9.3	9.5	8.1	0.3	0.3	1.1	15.1	9.6	9.8	9.2
Eigigu	7.3	7.1	7.3	0.5	1.1	1.9	12.3	7.8	8.2	9.2
Nauru Rehabilitation Corporation	5.4	5.0	5.1	0.2	0.3	0.2	9.7	5.6	5.3	5.3
Nauru Airlines	1.5	1.5	1.9	0.0	0.0	0.0	1.3	1.5	1.5	1.9
*Other	0.0	0.0	0.0	0.0	0.0	0.0	16.0	0.0	0.0	0.0
Total (%)	80.7	80.9	82.8	19.3	19.1	17.2	100.0	100.0	100.0	100.0
Actual Totals	3,790	3,837	3,941	909	908	819	3,086	4,699	4,745	4,760

Sources: Derived from administrative sources

Note: *not available mostly private sector ie. security services, retail stores, restaurants and any small businesses
Nauru Airlines are Nauru based only

Chart 1: Proportion of all Employees by main Employers during Periods 2013-2016

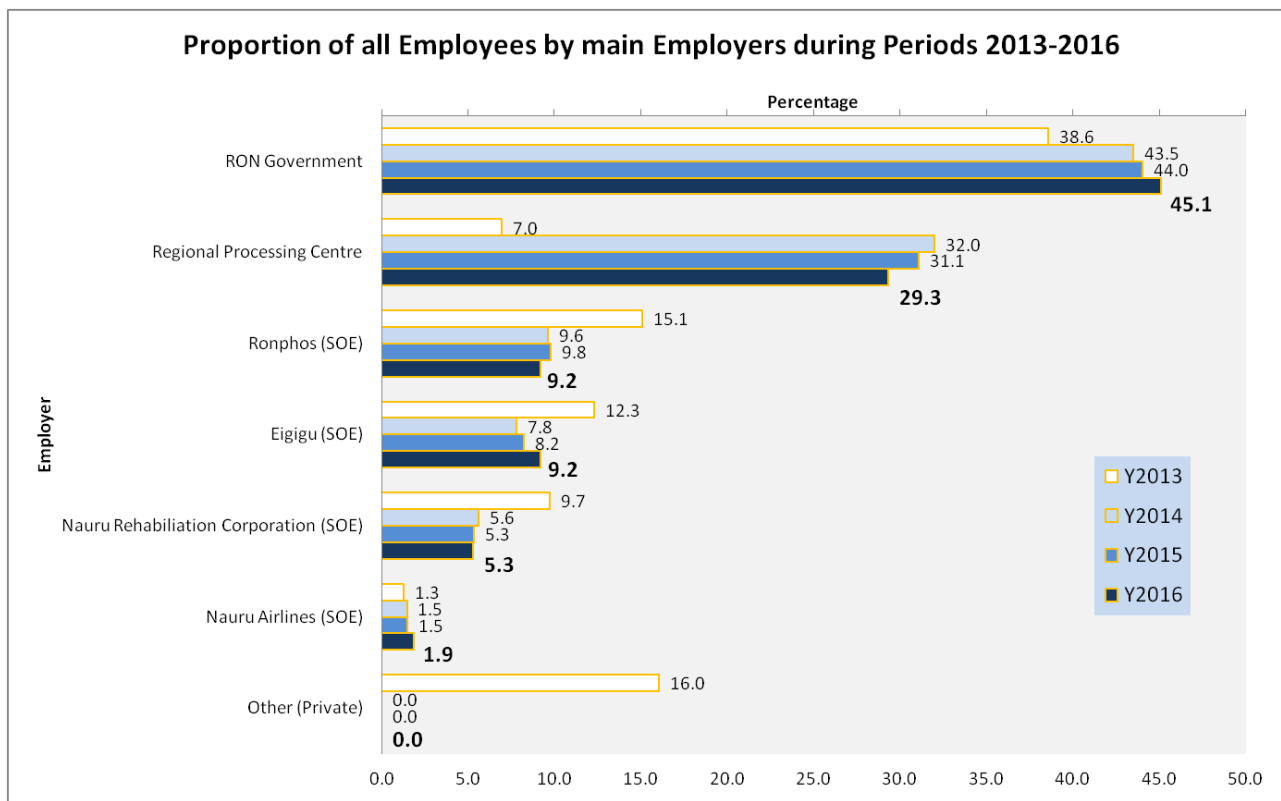


Table 1 and Chart 1 are both relatively indicating the similar results concerning the employment situation within the Nauru economy. Currently the two largest line agencies where most of the working population are engaging occur at RON Government public service and the RPC officially known as the Regional Processing Centre.

In Chart 1 above shows that the employment population at the RON Government public service reached a slight increase to 45.1 percent in year 2016 compared to year 2015 which was 44.0 percent and 43.5 during the previous year in 2014.

The employment population at RPC shows a slight declined to 29.3 percent in year 2016 compared to year 2015 which was higher at 31.1 percent. There is also a significant change in 2013 to 2014 during the early stages of establishing the RPC which increased rapidly from 7 percent to 32 percent in the following year. Administrative data for private sector are not available during the last 3 years since 2014 as such sources are captured from national census and household surveys.

During between the periods from 2014 through to 2016, the population engaged to employment for the state owned entities (SOEs) such as RONPHOS, Eigigu Holdings and Nauru Rehabilitation continues to fall below 10 percent whereas Nauru Airlines remains steady. RONPHOS and Eigigu Holdings once experienced to reach over 10 percent during year 2013.

Labour Force HIES 2012/13

The working age population by the national standard is observed to be between the ages of 15 years and 60 years (voluntary to retire) for Nauru.

Labour Force is defined in the census consisting both Employed and Unemployed.

- Employers
- Self employed
- Employees
- Unpaid work
- Subsistence work
- Unemployed
- Other paid employment

Employed population as define in the census consists of the following;

- salaries/profit
- subsistence
- on leave and sick leave

Unemployed population as define consists of the following;

- Population working age looking for work and available for work

Not in Labour Force: Population defined as:

- Pupil attending full time studies 15yrs +
- Home duties/care,
- Do not want to work,
- Too old/disabled

Chart 2. Labour Force Structure – HIES* 2012/13

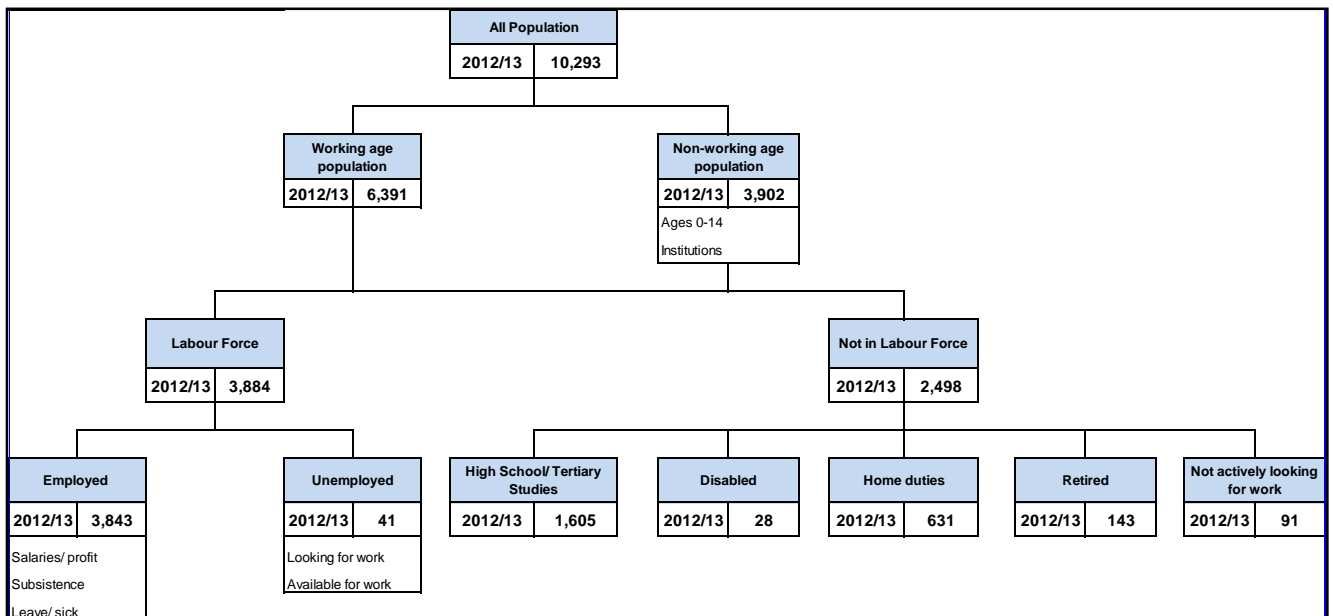


Chart 2 shows the Labour Force structure to provide a clear picture of relationships. The HIES 2012/13 labour force population show all people total of 10,293. The structure show two separate directions for Working- age population at 15 years and over, total of 6,391 and Non-Working

population total of 3,902. The Working age population are people may be available or not available to work. Non-working population are people between the age 0-14 years of age and people listed from the institutions. Nauru institutions are considered as the prison, hotels, hospital and the Catholic mission quarters.

The structure further show two separate directions for Labour Force total of 3,884 and Not in Labour Force total of 2,517.

- Labour Force has a subset of Employed total of 3,843 and Unemployed total of 41. Employed representing pupil receiving salaries/profit, engaged in subsistence activities and on formal leave whereas Unemployed representing pupil still seeking job and available for work as previously stated above.
- Not in Labour Force structure represents a subset of 1,605 pupils attending full time studies at aged 15 years over, 28 persons with disability, 631 engaged to home duties, 143 retired persons, and 91 persons not actively looking for work.

Table 2. Labour Force Participation rates (%)

WORKING AGE (15+)	Census Y2002	Census Y2006	Census Y2011	HIES 2012/13		
				Male	Female	Total
Labour Force Participation Rate	76.7	78.7	64.0	75.2	46.5	60.8
Unemployment Rate	22.7	38.2	22.9	0.9	1.2	1.0
Employment Rate	77.3	61.8	77.1	99.1	98.8	99.0
Inactivity Rate	9.9	12.2	22.0	15.1	33.7	24.3

Note: HIES* = Household Income and Expenditure Survey 2012/13

Table 2 represents the percentage figures in the Household Income and Expenditure Survey 2012/13 indicating that the Labour Force participation has declined to 60.8 percent compared previously during Census 2011 which was approximately 64.0 percent. The unemployment rate during the HIES results shows a significant change of 1.0 percent compared in earlier Census in 2011 which was 22.9 percent. The employment rate also shows the major increase according to the HIES results which was 99.0 percent compared to earlier Census in 2011 which was 77.1 percent.

The inactivity rate also known as Not in Labour Force shows a slight increase of 24.3 percent during the HIES 2012/13 compared to 22 percent during Census 2011. The inactivity rate continues to show a steady increase throughout the censuses since 2002, 2006 and 2011, in fact when there was a significant drop in the population in 2006 due to the repatriation of Non-Nauruan workers and their families which were previously captured in the 2006 mini-census headcount. Most of these Non-Nauruan households consisted of families who have stayed in Nauru for more than two generations.

According to the HIES 2012/13 results the **Labour Force Participation Rate (LFPR)** will be higher for males (75.2%) than for females (46.5%). In the case with **employment rate** it shows that the experiences for males is 99.1 percent whereas for females is 98.8 percent. The **unemployment rate** also shows that for males is 0.9 percent whereas for females is 1.2 percent. The employment and unemployment results show major changes in the economy due to the rapid increase of job availability which is driven ever since the re-opening of the Regional Processing Centre.

Chart 3. Labour Force populations, HIES 2012/13

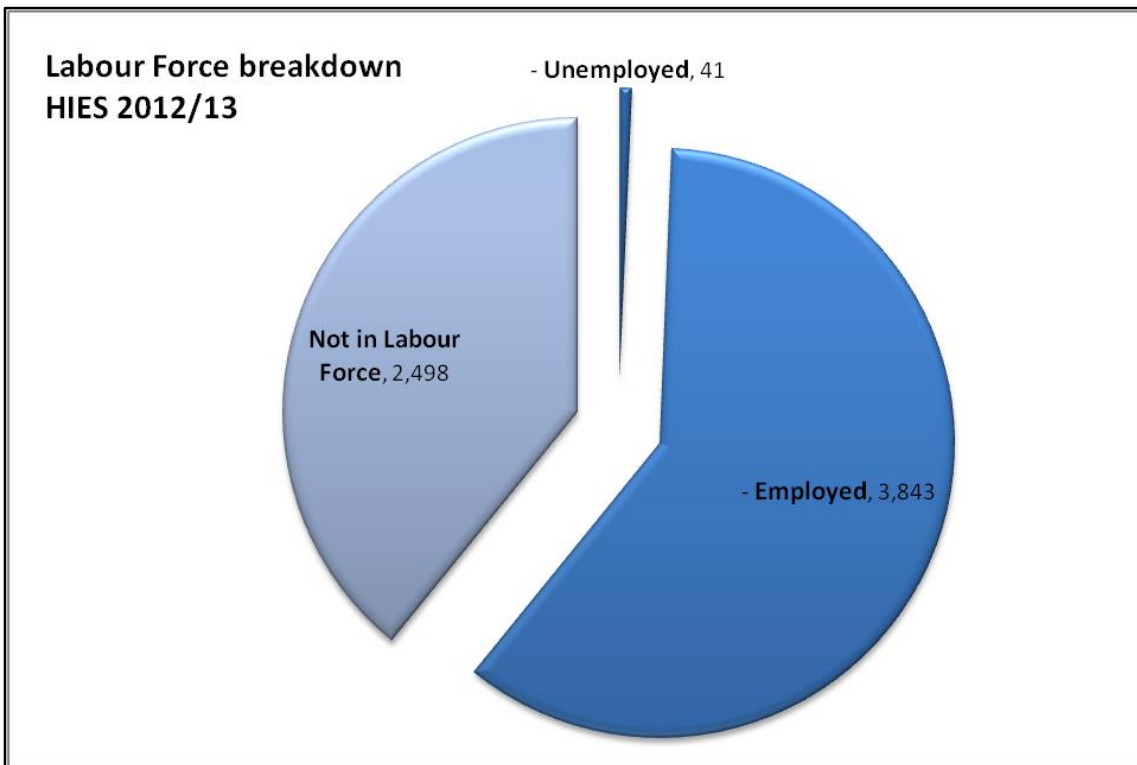


Chart 3 summarizes the breakdown between Labour force and Not in Labour force. You will notice the actual figures are related to the Labour force structure in *Chart 2*.

Chart 4: Labour Force Participation rates (LFPR) by age and sex (%) HIES 2012/13

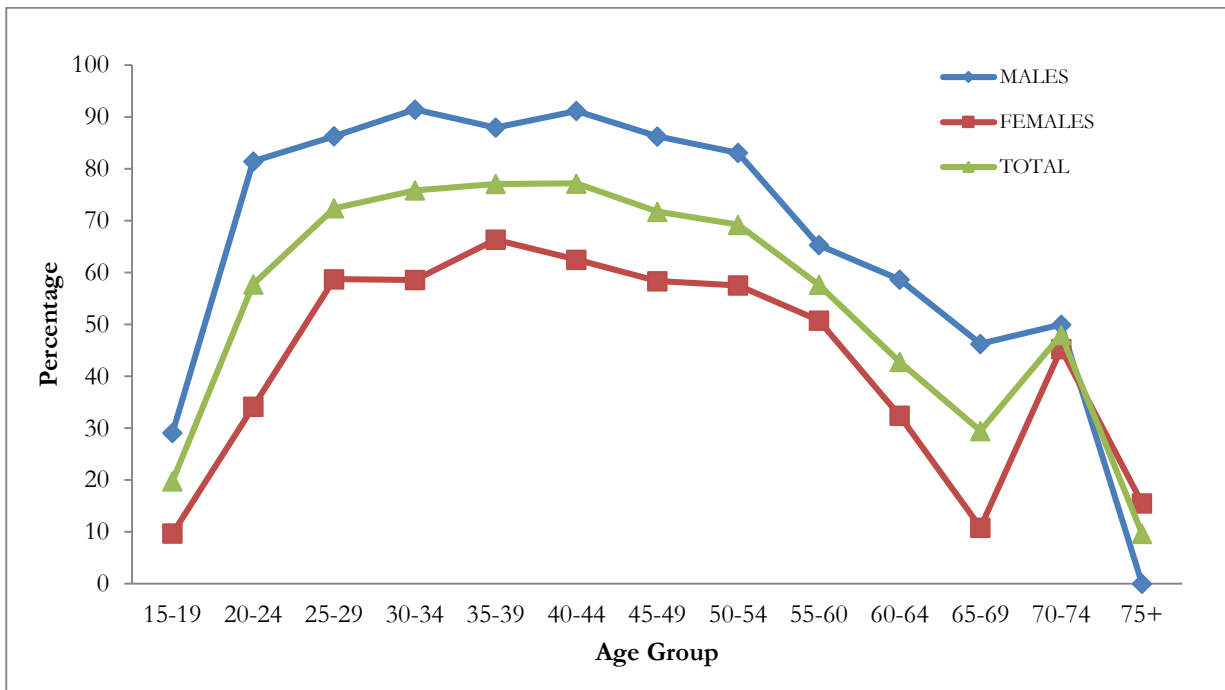


Chart 4 shows the LFPR and the general pattern usually show a low participation rates for the population 15-19 years which explains the population of the particular age group attending school or tertiary studies, or seeking job. The pattern shows that most men will engage to the labour force at

the age of 30-34 while most females at the age of 35-39. The pattern continues to show that the results will begin to decrease at age of 50-54 leading to the retirement age 60 years and over.

The pattern shows that the result of population aged 60 years and older are in the labour force which explains that older people in the age group 70-74 continues to be economically active supporting themselves or the household by producing goods for their own consumption. The labour force participation rate shows that males were dominant than for females within most of the ages.

Economic Activity

- ***Economically Active:*** All population and all ages engaged in the labour market or available to be engaged in the labour market or economic activities.
- ***Economically Inactive:*** All persons not classified as employed or unemployed within the working age population plus outside the working age population and also persons listed in the institutions.

Table 3. Economic Activity by percentages

WORKING AGE (15+)	Census Y2002	Census Y2006	Census Y2011	HIES 2012/13		
				Male	Female	Total
Total Population (%)	100.0	100.0	100.0	100.0	100.0	100.0
Economically Active (%)	32.6	45.2	39.2	45.9	29.4	37.7
Economically Inactive (%)	67.4	54.8	60.8	54.1	70.6	62.3

Note: HIES* = Household and Expenditure Survey

Table 3 indicates the percentage rate for economically active which is calculated from the Labour Force population size by whole population including all ages. The result shows a decline of 37.7 percent during HIES 2012/13 and 39.2 percent during Census 2011.

Economically inactive is calculated from Not in Labour Force population size by whole population including all ages with the result showing a slight increase of 62.3 percent during HIES 2012/13, compared during Census 2011 which was 60.8 percent.

The Government continues to provide and encouraged the youth population through development program the Staff Training and Student Internships which involves placing school leavers for longer term work placements. The Youth Affairs Training Program is also another reference that targeting our youths to engaged with work attachments as both program mentioned above are contributing factor to the employment workforce development program.

Unemployment Rate

The unemployment rate is the number of people unemployed by a given age and sex and/or place of rural-urban residence, divided by the population in the labour force with the same characteristics, multiplied by 100.

Chart 5: Pyramid Comparison by sex between Census 2011 and HIES 2012/13 - Unemployment Rate

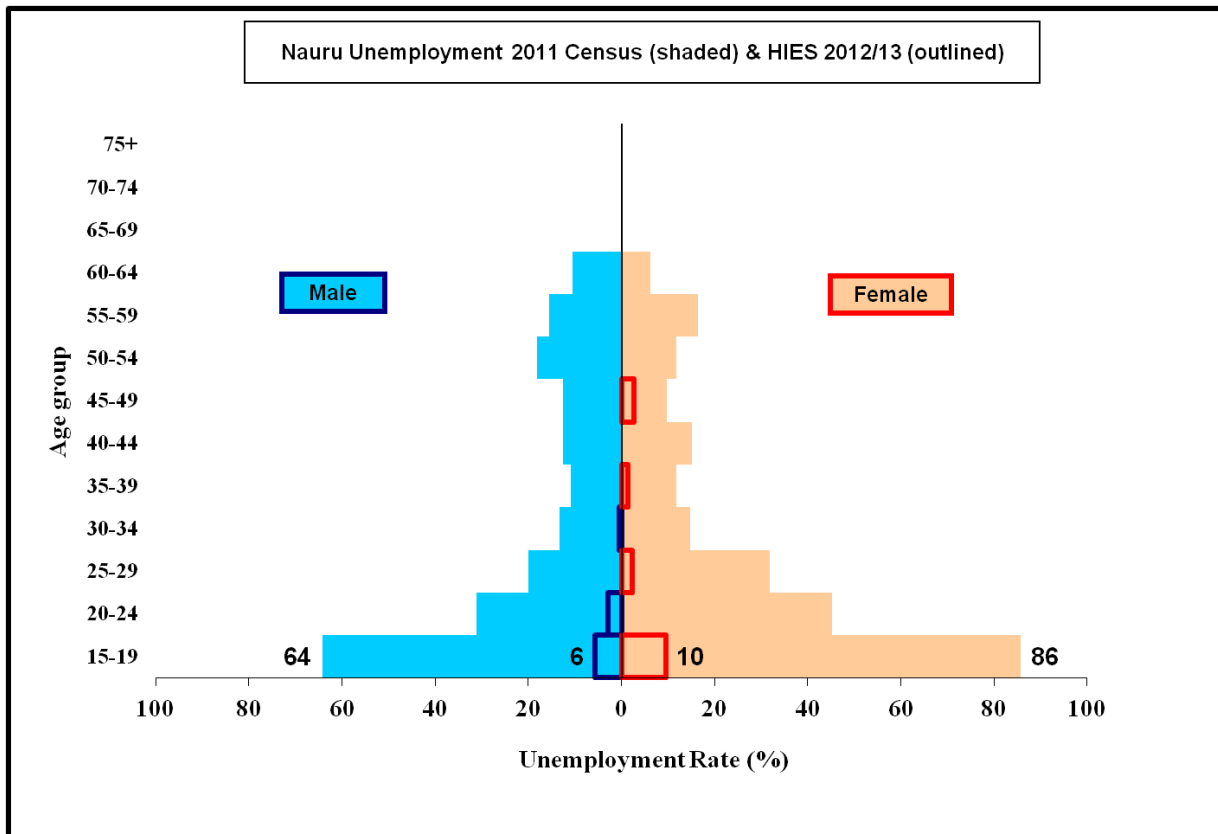


Chart 5 shows a form of a pyramid which indicates the unemployment rate by age group and by sex which comparing between Census 2011 and HIES 2012/13. The left axis represents the disaggregation by five years age groups at a minimum aged 15-19 years up to maximum aged 75+ years. The bottom axis represents the percentage for unemployment rates and the middle axis represents the disaggregation between male and female. The blue and orange shaded bars around the middle axis represents the Census 2011 results for males on the left hand side (blue) and females on the right hand side (orange). The blue and red outlined bars around the middle axis represent the HIES 2012/13 results similar illustration mentioned previously for Census 2011 results.

The population aged 15-19 years shows the unemployment rate during Census 2011 was higher compared to the older age groups. The pyramid is indicating that students attending high school, technical training, tertiary studies and at the same time they are interested to seeking part-time or permanent job which are locally available mainly the University of the South Pacific (USP branch), TVET and the Nauru Youth Affairs.

The HIES 2012/13 results in the pyramid shows that the unemployment rate for population aged 15-19 years have dropped which is experiencing improvement. It is indicating that there is sudden demand of labour work force in the economy compared to Census 2011 results as new jobs have been established which affiliated with the Regional Processing Centre.

Chart 5: Trend for Unemployment Rate since 1992 Census to recent survey HIES 2012/13

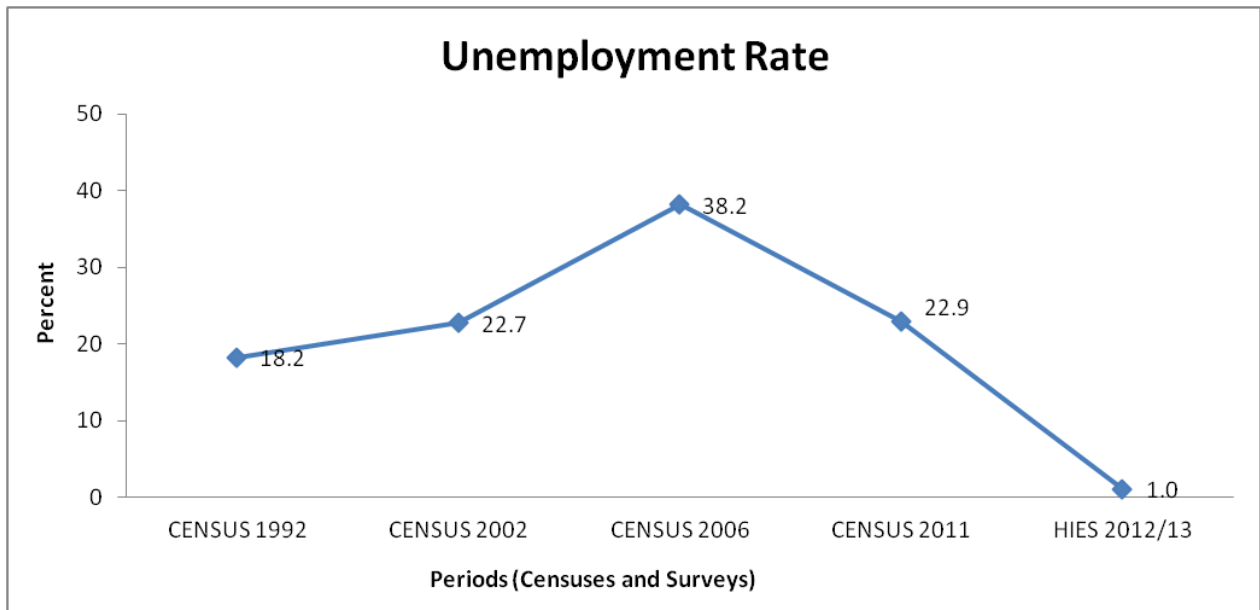


Chart 5 shows the trend for unemployment rates based on the previous censuses since 1992, 2002, 2006 and 2011 also including the Household Income and Expenditure Survey (HIES) in 2012/13.

The highest unemployment rate was 38.2 percent reported in Census 2006 and continues to show an improvement of 22.9 percent reported in Census 2011. The economic crisis occurs during the 2006 period when about 1,500 expatriate labours working for the phosphate mining mainly from Kiribati and Tuvalu were being repatriated to their home country.

The HIES survey during 2012/13 was a randomly selected survey approach which shows the unemployment rate rapidly drops to around 1 percent as if you refer previously in the unemployment pyramid (Chart 4).

PART 3: State Owned Enterprises

This section provides a brief overview of the objectives and financial expectations of the SOEs in 2016-17.

Ronphos

The broad business strategy of Ronphos Corporation is to maximise return to the shareholder through vigilant management and to contribute to the growth of the Nauru economy now and into the future.

The Ronphos objectives in the coming year include:

- The design, fabrication and commissioned installation of upgraded phosphate rock drying facilities, which among other things will greatly reduce dust emissions.
- To continue the debt reduction strategy and achieve a positive net asset valuation as part of a strategy to place Ronphos on a sound financial footing consistent with international accounting standards. This will further enhance the Corporation's prospects to consider equity partnerships with external organizations.
- Demolition and removal of redundant plant and equipment as an early stage of the restitution of its legacy footprint.
- To maintain growth in volume consistent with the capacity of secondary mining and rehabilitation activities,
- To continue research into options for treatment of secondary phosphate recovered and investigation of options for limestone exports/sales that will support effective commercial partnerships
- Maintain best price options and strategies for price making and new channels to market in a highly competitive market place.

Ronphos is expected to generate phosphate sales of \$52.6 million during 2015-16. This is in contrast to the current year budgeted revenue of \$65.4 million which was not achieved. This year the Corporation is expected to make losses in excess of \$7.0 million. It is thought that production and export targets have been set at a realistic level based on new equipment, changes in mining techniques and a review of the lands in plan for mining. Buyer demand for Nauru phosphate remains strong although recent market trends are softening and supplies from China in particular come on stream. Subdued economic conditions in traditional high users of phosphate including India and the US persist. Ronphos plans to continue a combination of well-targeted capital expenditure, efficient operations, ensuring no new liabilities and a re-organisation of debt repayments by Ronphos, . However, it is expected that selling price rather than production volumes will be the most significant determinant of Ronphos revenues.

Nauru Rehabilitation Corporation

The Nauru Rehabilitation Corporation is predicting operational revenue of \$11.4 million and operational expenditure of \$8.5 million in 2016-17. Before depreciation, NRC is proposing to make a profit of \$2.8 million. This contrasts with the expected forecast loss of \$3.4 million in the current year. Planned capital expenditure for 2016-17 is \$0.6 million. Taking into account other revenue of \$0.4 million (mainly payments from Canstruct under a sublease agreement), NRC's net cash flow is projected to be \$2.6 million in 2016-17.

It is of concern that there is such a difference in the 2015/16 budget estimates and actual outcomes. If the underlying problems that have driven the result in the current year continue into 2016/17 it is again unlikely that budget forecasts will be achieved. NRC needs to ensure that it follows the operational plan upon which the budget is based and actively monitor actual spending against this budget.

The year ahead will be challenging for NRC. NRC will begin the financial year with limited cash reserves following three years of heavy financial losses. Primary phosphate reserves will be exhausted with two years, so the focus of the mining operations will be on secondary phosphate deposits. Planned phosphate mining production is planned at 480,000 tonnes to meet the Ronphos export target. Of this around 360,000 tonnes will be primary and 120,000 tonnes secondary.

NRC will seek cabinet endorsement of new waste management fees. This will involve an annual charge to business houses for wheelie bin collections, and dump fees charged for RPC and business related dump fees.

NRC will seek to re-engage with Pacific International Limited to restore exports of aggregates and armour rock to Majuro. A new contract has been developed that will be mutually beneficial to both parties. NRC will also explore other pinnacle rock export opportunities in the region.

In recent years, NRC has broadened its income base through developing its crushing, sea wall construction, land clearing and road maintenance operations. Together these activities are expected to generate over \$2 million in revenues in 2016-17.

Eigigu Holdings Corporation

Eigigu Holdings Corporation is looking to continue its growth with a favourable business outlook for 2016/17 due to the continued needs of the RPC. During the past year it has made investments in the provision of additional accommodation and into the Eigigu supermarket. The Construction and Manufacturing subsidiaries of the corporation will continue to benefit from the increased economic activity on the island.

It believes that short-term opportunities have occurred from recent import regulations that place it in a strong position in the provision of goods and services to the RPC. Secondly the recent agency agreement that it has entered into with Neptune Shipping Australia has created opportunity for greater business related to the RPC. It is also planning to expand its business interests internationally with its rights to low carbon products and housing into the Pacific.

Threats and risk to Eigigu would include any change in the RPC policy for Nauru going forward. However, the management believes strongly that given the number of refugees in the community and the MOU with Australia the wind down if there is a change in policy with the upcoming elections in Australia would take place over a number of years enabling Eigigu to redirect and focus its resources.

In 2016-17 Eigigu proposes to make a profit (NPBT) of \$5.8 million, an EBITDA of 20% and provide a \$0.25 million dividend to Government. The majority of this profit being generated from the operations of the Menen Hotel which continues to operate at full occupancy.

Nauru Airlines

Nauru Airlines continues to operate five Boeing 737-300 aircraft in compliance with the regulatory requirements of the Australian Civil Aviation Safety Authority (CASA). During the 2015-6 year a replacement of the oldest fleet aircraft was undertaken. The decision on whether to sell the retired aircraft or using as part is still to be made.

Recently, Nauru Airlines acquired a lease on a hangar at Brisbane and will be taking over some of the routine maintenance of its fleet from the current contractor arrangements. During 2015-6 there was a positive renewal of the key nav aids on Nauru and related capacity building of the DCA.

The business associated with the offshore processing centre on Nauru has continued and provided good revenues from the provision of passenger services, contractual flying for the Australian Department of Immigration and Border Protection (DIBP) and freight. This has allowed Our Airline to achieve another year of successive surplus.

The major proposed development in 2015/16 for the airline is the “north/south” sector through the addition of flights into the Federated States of Micronesia was achieved and will continue with monitoring of the loadings for the 2016-7 year. The freighter market will continue to capitalise on opportunities in other pacific ports as current flights to Manus are under threat as the Manus detention centre may cease.

The key challenges that face Nauru Airlines in the budget and subsequent years remain predominantly those of the past year including:

- Vulnerability to the externalities of the Australian policy on Offshore Processing
- Infrastructure issues at pacific ports that may cause some interruption to operations
- The restrictive practices of the Fiji Aviation authority in denying business opportunities.
- Increasing regulatory requirements resulting in increases in overheads

For 2015-16 Nauru Airlines is planning to achieve \$57.6 mil in revenue of which about \$12.1 mil is expected from freighter operations. The budget proposes returning a \$2.4 mil after tax profit. This is a decrease from the current forecast of the year ended 2016 with reducing passenger numbers as the RPC winds back with the status to refugees having an effect on the number of people being housed in the camps. Costs have also increased due to staffing level increases. The budget has Nauru Airlines commencing a dividend payment to the government in the 2016-7 year.

Nauru Utilities Corporation

Utilities continue to make progress on strengthening and improving essential services to meet the energy and water needs of Nauru. It intends to address infrastructural issues and capacity constraints that often effect corporate performance. The primary objective for the coming year includes: To progress the rehabilitation of the electricity supply network, to consolidate Water production facilities and to increase the transparency of NUC’s financial position and progress its status to financial sustainability before the year 2020. It has an ongoing investment program to replace existing but dilapidated infrastructure with more modern and efficient generators and electricity distribution. This is being supported by both donor and government assistance with the notable funding and supply of two new 3 MW generators plants by the end of the 2017 financial year.

Other projects will include a program of inspection to reduction of the electricity production which remains unbilled due to illegal connections. The installation of meters will continue to be able to correctly invoice users and assist in debtor collections going forward. The outcomes of the budget to ensure the Nauru has the desired level of security and reliability for the production of water and

electricity and set up NUC to be financially sustainable with reductions of the need for long term fuel supply support from the GON.

In the 2015/16 financial year the NUC budget is expecting \$13.5 mil in revenues of which \$1.8 mil is derived from water sales. It is expecting \$9.9 mil in operating costs, leaving an operating surplus of \$3.6 mil. These figures exclude the costs of fuel for electricity production and proposed capital expenditures during the year. Fuel subsidy from the Government for the 2015-6 year was at \$8.5 Million and for the 2016-7 the support is being reduced to \$5.0 Million and the funding of the \$750,000 second hand 3 MW used generator with the NUC needing to lower the unbilled power percentage become increasing efficient and concentrate on debtor's collections to meet the shortfall in cash flow or adjust and trim its capital expenditure for the year.

PART 4: National Sustainable Development Strategy

The National Sustainable Development Strategy 2005-2025 (NSDS) identifies key national development goals, strategies and required activities. The strategy continues to be relevant to the Government's development agenda and is implemented through the Annual Operating Plans (AOP) and Budget.

An NSDS review will take place over the next financial year 2016/17 with an objective of updating the document to reflect Nauru's changing social and economic circumstances. The review will be in two phases. The first phase will take stock of work to date, assess systems and build the capacity of key Ministries central for implementation. The second phase will comprise of consultations with stakeholders in the Community at large.

Progress on the National Sustainable Development Strategy

The following provides information of work implemented, planned or in progress during the financial year. The information was extracted from Annual operating plans received from Ministries in the four main sectors.

1. Cross Cutting Sector

Public Administration

There has been considerable work undertaken to improve public service delivery and strengthening of the institutional capacity of the Nauru Public Service. Some of this work include the review and enactment of the new Public Service Act, the rollout of the new TechnologyOne Payroll Solution and the provision of various training programs to further enhance public servant skills.

Capacity Development programs are ongoing and should result in improvements in the development of corporate and annual operational plans.

Nauru public service employees at senior level have had the opportunity to undertake training in Finance/Budget and Project Management workshops in-house with the Australian Institute of Management.

Government has recently implemented the Nauru Public Service Scholarship Awards. This award aims to further strengthen and upskill public servants with higher qualification. Distant courses through the University of the South Pacific are also offered to public servants. The Student Internship program continues to guide school leavers into developing their career paths and has been successful to date.

In November 2015, twenty-four senior level employees graduated with the Australian Professional Certificate IV in HRM from the Australian Human Resources Institute, Melbourne.

TechnologyOne extended its partnership with the Government of Nauru by assisting the Human Resource team to develop, design and customize Nauru Public Service payroll into one seamless and integrated process.

TechnologyOne has the capability and capacity to sustain the growth and development in Public Service. The system will also provide a more reliable, effective and efficient service. The new Human Resource Payroll (HRP) system was implemented in May 2016 and will help address current deficiencies while emphasizing accountabilities, disciplines and governance.

The Public Service Act was recently revised and passed in parliament earlier in January 2016. The revised Act added public service values and public service code of conduct and significantly included a new regulation that specifically outlines process and procedures for addressing disciplines at all levels of the public service. The values and code of conduct are intended to foster and maintain public trust and confidence in the integrity of the public service.

Environment

A Waste Management project was implemented in conjunction with Global Environment Facility (GEF) United Nations Environment Programme (UNEP) on managing waste products. This Project enables activities for the Stockholm convention on Persistent Organic Pollutants.

The Ridge to Reef project began in December 2015 and was officially in operation in the first quarter of 2016 with five staff engaged, one local (Project Coordinator) and three UN Volunteers and one International Consultant. This project will be implemented in phases over 3 years with an objective to preserve biodiversity, ecosystem services, improve climate change resilience and sustain livelihoods in Nauru using a ridge to reef approach. Awareness programs have been completed at the grassroots level based on the establishment of a close working relationship with community leaders to ensure that the community is well informed of the impact and objectives of the project.

Governance Institutions

The Department of Justice continues to strengthen the Justice systems by ensuring timely delivery of services and provision of legal advice to the whole of government. It is expected that local capacity will soon be strengthened further with fifteen Nauruan graduates successfully completing a pleaders course in the new financial year. The Nauruan pleaders will be able to actively participate in the district court of Nauru.

A second courthouse for the Judiciary will be available for refugee appeal hearings. The Supreme court has assumed additional responsibility in hearing appeals from Refugees, the new addition of new pleaders to the profession will alleviate some of the additional burden as well as addressing backlog cases. A number of stakeholder meetings have been held to inform and educate stakeholders of people friendly judicial and court procedures. Challenges in recruitment, staff turnover, training and staff capacity continue to be addressed with the provision of further academic opportunities.

The Parliamentary Handbook has been drafted and has been presented and approved by the Speaker of Parliament. The Parliamentary Handbook will synchronize the provisions of the Constitution, Standing Orders, as well as other practices and procedures of the Parliament of Nauru into one document that can then be used as a guide by members of parliament.

Parliaments current work towards the enactment of the Leadership Code is a positive step towards achieving this milestone of the NSDS. The Select Committee have presented their report to the Honourable Speaker of Parliament. It is anticipated that the Leadership Code will be enacted in the next parliament sitting. The Parliament of Nauru worked as part of a UN-PRAC Project to establish an Anti- Corruption and a Leadership Code on best practices. The project included workshops with the Leadership Code Select Parliamentary Committee, Members of Parliament and thirty-two local communities “integrity champions” with the aim of canvassing the views of every household on island.

2. Economic Sector

The long term goals under this sector are stability, trustworthy, fiscal responsibility, multiply sources of revenue and the development of domestic food production. These long term goals are still relevant and Government continues to support them. Progress in this area has been progressive, with a number of improvements undertaken through the utilization of FMIS, introduction of new revenue streams, strengthened legislation in customs and the provision of financial services through Bendigo Bank. Reforms continue with recognition that further work remains to be carried out in strengthening frameworks, institutions, processes and the continued effort to build staff capacity.

Public Sector

One of the strategies articulated under the NSDS is the reform of Trust Fund arrangements including the establishment of a new Public Trust Fund. There has been considerable movement in this area with bilateral negotiations completed and MOU’s signed with major development partners like Australia, Taiwan and the Asian Development Bank. The establishment of the new sustainable sovereign Trust Fund is a major milestone. The Fund will help to smooth out windfall income streams in the medium term and replace or supplement future revenue streams such as phosphate mining, visa fees, fisheries, and donor assistance. Its establishment can help achieve a sustainable economic future for the Country.

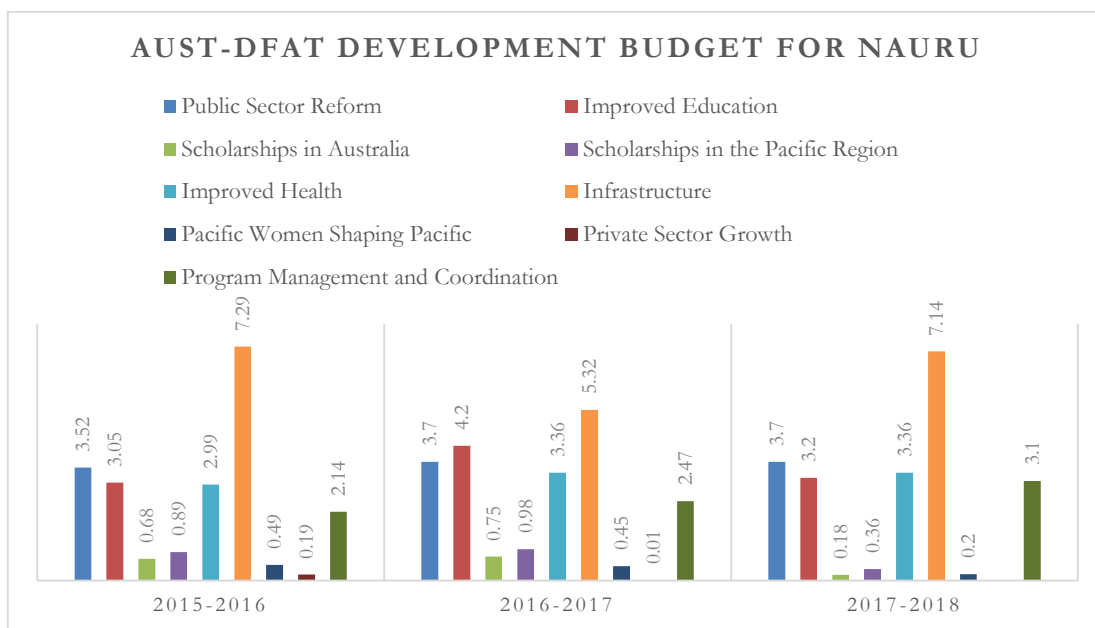
Nauru has officially become the latest member state of the International Monetary Fund and the World Bank. Our membership strengthens our integration into the International Community and enables greater access to technical and financial assistance required for economic and social development.

Treasury continues to improve accounting systems by strengthening the processes linked to the Financial Management Information System(FMIS). The system TechnologyOne continues to significantly improve financial management and accountability. Substantial improvements were made in streamlining business procedures on the system and in making the process more efficient. Steady progress has also been made on getting the systems online as well as operationalizing all its modules including a human resource payroll module to become operational soon. While progress has been made there is still considerable room for improvements on operationalizing FMIS, strengthening expenditure controls, cash management, better budgeting by moving towards medium term budgeting and the strengthening of links between planning and budgeting.

The Development of a coherent planning process for Nauru’s economic and social development is still vital to the Government. Annual Operational Plans are reviewed and reported on twice a year. The first stage of the NSDS review will be to incorporate an assessment of work to date, country systems and staff capacity. This assessment will assist in identifying key areas that needs to be

improved. The implementation plan will see that our monitoring mechanisms, country systems and institutions are enhanced by building the necessary frameworks that should be institutionalized in our systems. Improving our systems will ensure the alignment of the national budget including aid programs to the goals and strategies of the NSDS. Moreover, it is anticipated that the robust monitoring systems will enable the revised or newly formulated NSDS to be reviewed and updated annually against respective KPI's. This will ensure that momentum on activities as well as ministry focus is not lost. The percentage of aid directed to investment instead of operating costs has slightly increased. A greater number of donor funds are being channeled to investments such as the Hospital Redevelopment Project, Procurement of 2 new generator sets, the Learning Village, New Trust Fund and the Port development project.

The bar graph below illustrates the composition of estimated aid assistance from our largest trading partner Australia for the financial years 2015/16 to 2017/2018



Source: AUST-DFAT

The Revenue Division continues to implement Phase I reforms which seeks to broaden the government revenue base. Phase II reform activities are expected to commence in the next financial year when core activities of revenue collections and enforcement are carried out. Phase II will include reforms to the Business Profits Tax and Presumptive Tax.

The taxation division continues with the administration of the Employment and Services Tax legislation and processed TIN registrations. The successful introduction of these reforms will put in place a robust taxation regime, administered in accordance with world's best practice, which will result in the collection of substantial revenues for government. Considerable work was also done in preparation of legislations for Phase II, the draft legislation is nearing completion. Substantial progress is also being made towards Nauru's membership in the OECD Global Forum.

Customs continues to strengthen its workplace knowledge of border enforcement, revenue collection and trade facilitation measures with success in detection and seizure of prohibited food stuffs, undeclared cigarettes and various undeclared cargo. Customs prosecuted the first ever case on duty evasion with a resulting successful guilty plea. Capacity building of local staff continues with overseas training in Kiribati on PC Trade Database. Two staff attended customs courses in Trade

facilitation, risk management and compliance audits. The new automated processing system (PC Trade) is now operationalized. All of these activities build workplace knowledge in developing customs agency and in turn generate greater revenue collection and community protection. The use of the Harmonized Tariff remains a critical weakness however there is an ongoing effort to secure the services of a specialist in this field.

Fisheries

The Nauru Fisheries and Marine Resource Authority (NFMRA) has four different sections which comprise of the Coastal, Nauru National Fisheries Observer Program (NROP), Oceanic and the Corporate & Policy & Legal Section.

NFMRA continues to provide essential services to the general public. Such services include fixing of outboard motors, distribution of Safety Grab Bags, provision of ice to the public and the sale of outboard motors to the general public. There was also good progress in securing the milkfish fries for the Milkfish Aquaculture project. A team will be visiting Tarawa to confirm arrangements once the Aquaculture Holding Facility (AHF) has been completed and tested. The completion of the AHF was delayed pending the signing of the land lease agreement by the landowners for use of their land to lay out the AHF outlet pipes.

The fisheries sector continues to explore potential options for private sector led development of commercial fisheries. Such options include Marine Aquarium and Dive tours that rely on air transportation links to key markets.

Research by the Authority is still ongoing with an extensive long term fisheries data collection and sampling program currently being implemented that will provide the scientific information to guide and support decisions to effectively manage the coastal fisheries resources. Several regional training workshops have been undertaken to further strengthen data collection and analyse data. A report on beche-de-mer, sea urchins, green turbos and lobsters survey is currently being finalized.

On the Oceanic section, Nauru's Party Allowable Effort allocated by Parties to the Nauru Agreement Office on a calendar year continues to be sold out with good returns every year with increases since its adoption in 2012. There is still considerable work on updating the authority's legislative framework as well as the Fisheries Act to strengthen legal support for the management of the coastal fisheries and aquaculture, which requires collaboration between different stakeholders. On the same note a review of a draft of the National Plan of Action for combating illegal unregulated fishing is currently being undertaken.

Micro finance development is gradually progressing given the limited market base. Department of Commerce Industry and Environment(CIE) have also been instrumental in kick starting the program through a number of training workshops which aims to inform and educate locals on entrepreneurial endeavors. CIE have partnered with the Department of Home Affairs to promote local businesses on traditional arts and crafts, which will also ensure traditional knowledge and skills are preserved. Presently the first phase of small business applicants is now in the process of being formally approved. The success of the four small business loans will enable the expansion of the project. This scheme aims to promote local business development enhancing private sector participation in the economy of Nauru. The second phase is expected to be rolled out in June 2016 with technical assistance from Taiwan.

The Agriculture division is working with FAO in ensuring two priority outcomes which are enhanced agriculture (including livestock) and fisheries production for food and nutrition security and improved food quality and safety. FAO is in its second year of implementing the project on strengthening household capacity for integrated agro-forestry. This project is currently targeting 150 active farmers, households and people who have existing kitchen gardens and would like to plant fruit trees in the kitchen garden. The second year of the project looks at raising awareness and capacity building activities at the community level. The Division is also importing tropical fruit trees and is assisting households in preparing their soil composts. A nutritionist will be engaged to do a cooking demonstration which is aimed at promoting veggies locally grown on island. Agriculture division is also working in collaboration with Clean and Green to plant ecological trees around the coastal areas around the island, targeting around 6,000 to 10,000 fruit trees. Taiwan in cooperation with the Government of Nauru is also supporting a project which aims at supporting healthier diets and reduce the need for imports. The Taiwan Technical Mission is managing the piggery farm, the hen breeding demonstration and training workshops.

3. Social Sector

Education

The Department of Education continues to make steady progress in accordance with their four Education Implementation Strategies. The table below provides a snapshot of the progress made by the Education sector over the current financial year.

<u>SUCCESSSES</u>
Establishment of the NEAT Scheme - informally known as the \$5 per day policy combatting high truancy rates in Nauru.
Development of TVET Strategic Plan 2015-2019
Signing of contract between UNE and Nauru Education Department for the development of a Creative Arts curriculum to be implemented in all schools
Signing of contract between UNE and Nauru Education Department for the development of an Inclusive Education program which aims to address the needs of students with special needs
Establishment and initiation of the Rock and Water program which is an Anti-bullying program that will look to develop teachers as advocates for Anti-Bullying in the Nauru schools
The Family Life Education program was trialed at Year 9 level. This program will test run the program which will address family life issues such as substance abuse, adolescent reproductive health and healthy relationships to name a few.
Continued efforts and promotion of Professional development opportunities and staff upskilling

SUCCESSSES

Fourteen Nauruan teachers to graduate from University of New England(UNE) with Associate Degree in Education (Pacific Focus) in May 2016

Second cohort of Nauruan teachers commenced studies towards the Associate Degree in Education with UNE (Pacific focus) in October 2015

Two Nauruan Education staff commenced with a Master's program with UNE

Parenting course targeted at adolescent mothers

Community Stay`N`Play Centres

CHALLENGES

- ❖ Recruitment & retention of skilled staff for various sections within Education Department
- ❖ Staff turnover
- ❖ Project/activity planning & coordination
- ❖ Most activities/programs detailed in Education Operational Plan (and the NSDS) are very expensive and difficult to sustain. Eg. the QCE program
- ❖ Quality, access, collection, collating and storage of data
- ❖ Recruitment/engagement of consultants or technical assistance for specialised assistance for certain activities/programs
- ❖ Accommodation for expatriate staff

WORK IN PROGRESS

Improvement in moderation results for QSA moderation and audit

Production of the EMIS (Education Management of Information System) Statistics Digest

Provision of high quality internet access and connectivity to all the schools

Development of the next 5-year strategic plan for Education for post 2016

Health

The Health sector continues to make progress despite encountering complex and unique challenges. For the financial year 2015-16 the Ministry of Health focused on the following four key result areas (KRAs) which are;

1. Health system strengthening
2. Primary health care and healthy islands
3. Curative health
4. Support service and networking

The following provides information on the following key achievements, challenges and work in progress.

SUCSESSES
Phase 1 of the Hospital Redevelopment project completed
Non Communicable Disease Strategy developed, finalised and endorsed by cabinet
Standard (Patient) Treatment Guidelines established and rolled out to key Health staff
Reproductive Health Policy & Strategy developed in partnership with SPC and UNFPA
Nauru Health Staff Education Strategic Plan developed and is supported by Australia DFAT
Outstanding annual reports produced and submitted to relevant stakeholders
Procurement specialist engaged with support from Australia DFAT to provide specialist assistance and support for procurement specific to the Health sector
MOU signed between Nauru Health Department and FNU to deliver a number of courses to local Health staff
Two medical officers returned from Cuba after completing the theoretical training towards a general medical practitioner license
A Nauruan staff member has graduated with honours from Fiji School of Medicine in the field of Dentistry
Ten Registered Nurses graduated with Post Basic Health certificates
A needs report was completed for the Health Information System (HIS)
Conducted a STEPS survey with a 61% uptake
Establishment of a database for TD2M patients. (patients with Type 2 Diabetes)
Establishment of a Cancer registry/database

CHALLENGES
<ul style="list-style-type: none"> ❖ Recruitment and retention of skilled staff both local and expatriate ❖ Staff turnover ❖ Accommodation for expatriate staff ❖ Confusion and misunderstanding with existing procurement and financing policies and procedures including development partner policies and procedures ❖ Significant capacity gaps in terms of Human resource ❖ Increase in number of dialysis patients ❖ Increase in STIs, teen pregnancies or in general, unplanned pregnancies

CHALLENGES
<ul style="list-style-type: none"> ❖ Frequent power outages damaging vaccines and other vital medical supplies and equipment ❖ Weak planning and coordination capacity and mechanisms
WORK IN PROGRESS
Migration plan is being developed and implemented which will oversee the physical relocation of services at the hospital in order to accommodate the commencement of phase 2 of the Hospital Redevelopment project
Ascertain and develop plans to address GoN contribution in the Hospital Redevelopment project including access and provision of ICT services and equipment, water, electricity, maintenance plans and more
Plans to continue STEPS survey to achieve 100% uptake
Safe Motherhood group was re-established with a dedicated Registered Nurse to combat the increase in teen pregnancies and STIs
Zone nurses and the Eye Specialist continue to make steady progress in the communities
Public Health is working with the Justice Department to draft and or review various legislations such as the Tobacco Act, Public Health Act and the Food Security Act
Public Health currently working with Quarantine Department to develop a food inspection program and more stringent policies around imported foods focusing especially on labelling and quality.

Home Affairs

The Ministry of Home Affairs comprise of the following divisions;

- Department of Youth Affairs
- Department of Women’s Affairs
- Department for Family and Community Services (inclusive of office for Nauru Persons with Disabilities Organization)
- Department of Culture and Language
- Clean and Green Project (managed under the Secretariat for Home Affairs)
- Child Protection Services
- Tourism office and
- Post and Philately office.

The main developments and challenges for this ministry are summarized in the table below.

<u>DIVISION</u>	<u>DEVELOPMENT/S</u>	<u>CHALLENGES</u>
Youth Affairs	Structural redevelopment	<ul style="list-style-type: none"> • Weak planning and coordination • Staff turnover • Limited staff capacity • Staff recruitment & retention
	Reestablishment of National Youth Council	
Women's Affairs	First CEDAW report completed and presented in Geneva	
	Women's National Plan of Action development as direct result of CEDAW report	
	Continuation of operation of Eaog`N`Eratequo - Safe House which now engages male counsellors as well as female counsellors to improve the capacity and effectiveness of the Safe House.	
	Engaged a Gender Based Violence (GBV) counsellor to work with Women's Affairs Child Protection Services to develop the local capacity & in this line of work	
Women's Affairs in coordination with Parliament	With support from UN Women and Australia DFAT, the Women in Leadership training conducted a workshop. The main objective of this training was to provide capacity building to potential candidates for the upcoming general elections.	
Secretariat	Six staff members from different sections of the Ministry are currently enrolled in UNE training program for counsellors called Community Health and Wellbeing	
Child Protection Services	Establishment of the division as direct result of work with GBV counsellor and CEDAW report	
Culture & Language Division	Participation in the Festival of Pacific Arts (FOPA) in late May 2016	
Tourism	Continues to successfully host the community night markets in collaboration with the Women's Affairs and Family and Community Services	
Clean & Green project	Continues to steadily make marked improvements to the general public with consistent efforts at ensuring that Nauru is clean and green.	

4. Infrastructure Sector

Infrastructure sector continues to see steady development of key economic infrastructure priorities such as, Port redevelopment, Phase 2 of Hospital redevelopment and upgrading of Power generation.

The current Nauru Economic Infrastructure Strategy Investment Plan (NEISIP revised 2013) will also be reviewed in parallel with the review of the NSDS. The review will develop mechanisms that will allow more ownership on the Government to regularly update and utilize the Plan in an active manner.

Special Projects

The Nauru Community and Housing Scheme (NCHS) was an initiative made by the Waqa Government to assist citizens with renovations of houses built by the old Nauru Local Government Council which have deteriorated from exposure to the elements.

The eleven Members of Parliament were allocated \$200,000.00 to assist their respective communities in critical housing repairs, maintenance and to supply water pumps or tanks to ensure a safe hygienic and livable home environment.

For the current financial year 2015-2016, \$750,0000 was provided for the project. The project is still ongoing with a total number of 26 houses given approval for construction during the current financial year. A total of 21 houses were completed by the construction companies which resulted in 21 families now having their own houses. The remaining 5 houses are still being constructed.

The Centennial Hall project was completed and officially opened on the 30th of July 2015. RONPHOS was awarded the renovation contract and carried out the renovation and repairs.

Nauru Utilities Corporation(NUC) has seen relative improvements in FY15-16. The implementation of the Electricity Sustainability Supply project commenced April 2015, contracts totaling AUD13.8 million dollars have been awarded to Barclays Engineering of South Australia for the roofing restoration project and Sterling & Wilson of India for the design and supply of two new 3mW generators and an 11 kV power station switchboard. This project is co-funded by ADB, EU, Australia and Government and Nauru, completion of this project is expected on the 10th of March 2017. Due to mechanical failure of a MTU 2A generator, NUC purchased two Cummins 1mW generators from Hong Kong; these are expected to be operational by end of this financial year.

Solar panels funded by the UAE have been installed and expected to be fully functional by end of this year.

The table below captures the current solar energy sites with kW rating, these will in turn contribute to Nauru's renewable energy targets.

Site Location	kW Rating
Noddy Building	131 kW
Nauru College	30 kW
Od'n Aiwo Hotel	5 kW
Public Health – Hospital	22 kW
Government Building	52 kW

Source: Nauru Utilities Cooperation

Water

The Government of Japan under the Grant Assistance for Grassroots Human Security Project (GGP) scheme has provided 8 solar-powered water-pump systems as well as 6,000 liters Poly water tanks to the communities. This will enable communities' greater access to underground water. The Department of Commerce Industry and Environment is implementing both projects; such activities will contribute to improving water storage capacity and infrastructure for the country.

A 10,000-litre water tanker was procured using unspent funds intended for the B10 Water Storage Project funded by US Aid. It was later ascertained that the project was no longer feasible with agreement made with the donor to redirect funds for a NUC new water tank truck.

The Household Water Tank project currently funded by Australia is still ongoing. An independent engineer report indicates that 160 out of 200 foundation slabs have been completed to date. Initial planning of Phase 2 has commenced for the procurement of 200 plus of 10,000-litre poly tanks.

Energy

On 1st June 2015 the Government of Nauru (GoN) and Vital Energy Inc (Vital) signed an agreement for Vital to be responsible for Nauru's petroleum fuel supply. Under the agreement Vital will take end-to-end responsibility for the supply of fuel and operation of the tank farm. This agreement aligns with the GoN's energy vision to provide "reliable, affordable, secure and sustainable energy supply, for the social development of Nauru".

Ports

The proposed Port Development Project (the project) will improve port operations in Nauru by constructing a quay wall and access causeway at Aiwo, reconstructing port buildings, container storage and strengthening the institutional capacity of Nauru Ports Authority(NPA). The impact of the project will be affordable and reliable supply of imported goods. The outcome will be efficient, reliable and safe port operations. The tentative project cost is \$22.1 million. The indicative Asian Development Bank (ADB) financing is a grant of USD\$9.0 million. The remaining financing will be expected from donor community and the government. The Government of Nauru requested a project design advance (PDA) financing in the form of a grant to carry out geotechnical investigations, topography and cadastral surveys and detailed engineering services for the ensuing project. ADB with NPA are currently finalising selection of company that will carry out PDA.

Two barges supplied by Harwood Marine (NSW) were procured and operational in October 2015 using GoN funding, this has made a big impact on the turnaround of ships. It is expected that Nauru will have two more barges in 2017, funded by Japan under the NPGA program.

Land Transport

In 2013, Eigigu Holdings Corporation (EHC) assumed the role of maintaining roads; other local companies have also been contracted by Land Transport to undertake some of the urgent works. To date a total of 19 out of 84 roads have drains as well as the refurbishment 19 out of 60 soak pits adjoining larger drains that have been refurbished. Land Transport have experienced some delays due to the rapid expansion of large construction projects undertaken by EHC.

In September 2015, two expert road engineers from Fulton Hogan were engaged to undertake a study of existing road conditions. This report was finalized in early February 2016 and concluded that resurfacing the road infrastructure (including the runway) was needed. The next phase will be in securing the funds needed for this project.

Buses currently operated by Government include 3 x 65 seaters and 4 x 45 seaters; this gives a total of 375 seating capacity. There is still ongoing effort to improve the services on this front with the provision of extra buses.

Directorate of Civil Aviation(DCA)

Aviation has continued to focus on upgrading its airport facilities as well as building capacity of its staff. For this financial year, DCA submitted five project proposals that were approved, which includes, i) extension of check-in area, ii) roof refurbishment, iii) renovation of departure lounge, iv) renovation of arrival area and v) procurement and installation of carousel for luggage claim/collection area.

In September 2015, critical equipment such as DME and Navigational Aids were successfully replaced by Airways NZ. Airways NZ were also engaged to carry out practical programs to develop aerodrome and nav aids personnel.

Media

Improvements to the media are ongoing with achievements made in broadening coverage by introducing an online streaming of Nauru Radio and offering downloadable application software. A 30-minute ethnic program, delivered in the Persian language and broadcasted by an Iranian staff member also commenced during the financial year 2015/16.

End.

Line Ministry Linkage to Key Legislation and the National Sustainable Development Strategy

The following table was populated with information extracted from Annual Operating Plans and reports received by the Ministry of Finance. The objective of the table is to provide descriptive information on how line Ministries are linked to key legislation and the National Sustainable Development Strategic goals.

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
01 - Presidency and State House (including GIO)	The Nauru constitution provides overarching governance for the whole nation. The Public Service Act. 2016 applies to all civil servants,	To enable the President to carry out his official responsibilities and duties.
02 – Ministerial	The Nauru constitution provides overarching governance for the whole nation. The Public Service Act. 2016 applies to all civil servants,	To implement the Government Policies and Cabinet Decisions.
03 - Chief Secretariat	Public Service Act 2016, Electoral Act, Price Control Act, Birth Death and Marriages Act., Liquor Act.	To provide dedicated, responsive, productive, and professional Service. • To develop effective, transparent and efficient administration and management. • To implement the Government Policies and Cabinet Decisions.
04 - Post and Philately	Public Service Act 2016.	Provide universal and reliable access to internationally competitive communication services and an independent and commercially viable media.
05 – Audit	Audit Act. 2015, Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016,	To provide professional audit services to Government and the public service, fulfilling its Constitutional responsibilities.
06 – Parliament	The Nauru constitution provides overarching governance for the whole nation. Parliamentary Salaries and Allowances (Amd) Act, Public Accounts Committee Act. Constitutional Review Committee, Audit Act. 2015,	To enact laws and regulations for the benefit of Nauru based on democratic principles.

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
07 - GON WareHouse	Public Finance Management & Procurement Act 1997	To develop effective, transparent and efficient administration and management.
08 - National Emergency Services	Disaster Risk Management Act., National Emergency Act.	Develop locally tailored approaches and initiatives to mitigate the causes of climate change and adapt to its impacts
11 - Finance Secretariat	Development Fund Act 2011, Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016, Government Loans Act. 1972	Macro-economic Management: A stable macro-economic environment conducive to private investment established.
13 - Bureau of Statistics	Public Service Act. 2015, Public Finance Management & Procurement Act 1997, Nauru Bureau of Statistics Act.	A stable macroeconomic environment conducive to private investment established.
15 - Nauru Revenue Office	Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016	Macro-economic Management: A stable macro-economic environment conducive to private investment established.
17 - Nauru Customs Office (NCO)	Customs Adopted Laws Act 1971, Customs Amendment Act 2015, Customs Act 2014, Customs Tariff Act 2014, Customs Tariff schedule, Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016, Customs (Rates of Duty) Amt Act, Immigration (Amt) Act, Passport Act, Agricultural Quarantine Act.	Macro-economic Management: A stable macro-economic environment conducive to private investment established.
21 – CIE	Public Service Act 2016	Promote development of small and micro enterprises, foreign investment and economic integration into the global economy.
31 – Fisheries	NFMRA Act	Enhance development and sustainable management of marine and fisheries resources to provide sustainable economic returns
41 – Police	Criminal Procedure (Amt) Act 2012, Illicit Drugs Control Act, Nauru Police Force Act. 2015, Motor Traffic Act. 2015, Cyber	To Serve and Protect the People of the Republic of Nauru

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
	Crime Act. 2015, Criminal Code Act. 2015	
42 - Department of Multicultural Affairs	Asylum Seekers (RPC) Act 2012, Refugees Convention Act.	Assist and train community leadership. Preserve & introduce the Nauruan Language in School.
43 - Justice – Secretariat	Criminal Procedure (Amt) Act 2012, Legislation Publication Act, Business Licenses Act, Anti Money Laundering Act, Criminal Justice Act., Recognition of Foreign Divorces, Legal Separations and Nullity of Marriage Act., Oaths, Affirmations and Statutory Declarations Act., Naoero Citizenship Act. 2015, Adoption of Children Act. 2015	Committed to the highest standards of ethical behaviour, excellence and professionalism in the delivery of legal services to its clients and users. Underpinned by international laws and conventions and respect for the rule of law, Nauru’s legal system ensures a secure, stable and peaceful community exists for all.
44 – Judiciary	Criminal Procedure (Amt) Act 2012, Courts Legislation, Criminal Justice Act., Recognition of Foreign Divorces, Legal Separations and Nullity of Marriage Act., Family Court Act.	To uphold the rule of law and resolve disputes between the different arms of the Republic and including the citizen of the Republic of Nauru.
45 - Border Control	Customs (Rates of Duty) Amt Act, Immigration (Amt) Act, Passport Act, Agricultural Quarantine Act.	Committed to the highest standards of ethical behaviour, excellence and professionalism in the delivery of legal services to its clients and users. Underpinned by international laws and conventions and respect for the rule of law,
46 - Correctional Services	Criminal Procedure (Amt) Act 2012, Correctional Service Act	Strengthen Parliament, Audit, Justice, Law, Order and Border Control
51 – Education	Education Act., Higher Education Act.	Improve the quality and broaden the scope and reach of education
52 - Youth Affairs	Guardianship of Children Act., Family Court (Amendment) Act.	Investing in Youth – A sustained future for Nauru.
61 – Health	Health Practitioners Act, Food Safety Act	A Healthy & Peaceful Nation that values & supports human rights & dignity through the provision of quality healthcare & services.

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
62 – Sports	Public Service Act.	Encourage participation of all communities in sports and fitness activities and strengthening governance and administration of all sporting bodies.
71 - Foreign Affairs – Secretariat	Consular Privileges and Immunities (Amendment Act) 2012, Foreign Trusts, Estates and Wills Act., Foreign Judgements (Reciprocal Enforcement.) Act. International Sea Bed Minerals Act. 2015	Ensuring that Nauru’s interest and voice gain the maximum hearing, understanding, and support from the regional and the international community. The formulation and implementation of policies relevant to the development aspirations of the country on a sustainable basis. The enhancement of Nauru’s international standing by adopting a proactive foreign policy engagement with members of the regional and international communities in order to promote cooperation.
72 - Foreign Affairs – Brisbane		
73 - Foreign Affairs – Suva		
74 - Foreign Affairs - New York		
75 - Foreign Affairs – Taiwan		
81 - Home Affairs	Bingo Licensing Act, Education Act.	Provide assistance to family children and identify their needs and to implement Child Protection Policies
82 - Women's Affairs	Public Services Act.	A just society that recognizes and respects the rights of women and promotes equal opportunities.
83 - Media Bureau	Telecommunications (Amt) Act	Provide universal and reliable access to internationally competitive communication services and an independent and commercially viable media.
84 - Lands & Survey	Lands Act, Nauru Lands Committee Act., Nauru Phosphate Royalties (Payment and Investment) amendment Act.	To administer and manage natural resource namely – LAND. We are to encourage developments that fit its locality, viability and demands.
85 - Lands Committee		
86 - Department of Land Management		
91 - Transport Secretariat	Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016	Improve transport infrastructure and provide reliable and affordable public transport service.
92 - Lands Transport	Lands Act., Nauru Lands Committee Act.	Improve transport infrastructure and provide reliable and affordable public transport service.

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
93 - Maritime Transport	Port Authority Act. 2015, Salvage of Derelict Wreck Act.	Improve transport infrastructure and provide reliable and affordable public transport service.
94 – DCA	Civil Aviation Act	Improve transport infrastructure and provide reliable and affordable public transport service.
95 – ICT	Telecommunications (Amt) Act	To provide an integrated, reliable, efficient and secure networked ICT environment for Government and State owned enterprises. to ensure that these services are reliable, consistent and secure and at the same time ensuring the integrity and confidentiality of all Government data and communications.
96 - Fire & Rescue	Disaster Risk Management Act., National Emergency Act.	Sustainable use and management of the environment and natural resources for present and future generations.

End