



REPUBLIC OF NAURU

2015-16 BUDGET

BUDGET PAPER 2

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FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2015-16**

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Note all figures are in Australian dollars (AUD) unless otherwise stated

PART 1: The Economic Outlook

The outlook for growth in Nauru remains good but is expected to moderate in the current year to 8.0%¹ from the very high rates experienced in FY2013 (15.4%) and FY2014 (17.5%)². The high rates of growth have been driven by RPC-related activities in trade, transport and communications. Growth this year has been reduced due to problems associated with the port. The expectation is that in the coming year the level of RPC activity will not increase and the high level of importations seen for camp establishment and refugee housing will decline.

Port operations have made a large impact on the economy. Due to the combination of bad weather and problems with the deep water moorings it has been estimated that four months of normal shipping services has been lost to the island. This has resulted in inability to load phosphate ships and unload essential supplies such as fuel. Resulting fuel shortages and rationing has further curtailed phosphate mining activities.

The port remains the major risk for current activity. The Government is continuing to work on resolving chronic problems with the Port and its operation. Utility services also remain unreliable but are expected to benefit from the installation of new generators as detailed in Part 4. These are unlikely to be commissioned before the end of FY2016.

During the year there has been major investment in new mining equipment which is expected to commence operation early in the new financial year. This along with changed mining techniques is expected to improve the production and reduce contamination of phosphate rock. Budget projections estimate mining to increase to 600,000 mt resulting in 396,000 mt of Phosphate exports. The estimated export value is \$52.6 mil. There is also a predicted increase in the production of limestone rock from the new mining techniques. The export of this rock for seawall construction is forecast to increase during the next year.

The RPC activity appears to have peaked with no new refugees being sent to the centre for several months. Approximately 480 refugees have been resettled into the community and approximately 950 remain in the two centres³. Fishery revenue has continued to grow strongly during the year but is expected to stabilise around current levels.

The relatively robust outlook for growth in the region's major economic partners is thought to dampen the effects of a weakening of the global economy. Economic growth in Australia and New Zealand remains solid due to higher volumes of mineral exports in Australia and rising exports and strong consumer confidence in New Zealand. Exports from the region to New Zealand have decreased during the first half of the year partly due to lower phosphate exports from Nauru. Regional exports to Australia have grown (primarily crude oil from PNG). Currently the region has a trade surplus with Australia and a narrowing trade deficit with New Zealand⁴.

Inflation has continued to be significantly higher than forecasts and is reported to be running at 14.2%⁵. The large scale payments to Nauruan's during the past year have moderated and the increased consumer demand is probably driven from higher earnings derived by the working population. Short term-price increases have also occurred with

¹ GDP Forecast, Dec 2014, Pacific Economic Monitor, ADB estimates

² IMF/PFTAC staff estimates FY 2014 are Preliminary Figures

³ May 2015 figures

⁴ Dec 2014; Pacific Economic Monitor –Budget Analysis, ADB

⁵ See Economic Statistics Part 2

some items due to shortages associated with shipping delays. Given current growth projections it is likely that inflation may remain high throughout the next year.

The Government's efforts to broaden Nauru's revenue base commenced during the year with the introduction of income tax. Business profit tax is also planned for introduction from January 1st 2016. Due to the time period allowed for businesses to lodge returns no revenue is expected to eventuate from this tax in the 2015/16 financial year.

Arrangements for the Government to establish an agency of the Bendigo Bank were concluded during the year. The agency opened to the public in June 2015.

Nauru Trust Fund

The work associated with establishing a trust fund continues and the Government has included a further \$10.4 mil contribution to the fund in the 2015/16 budget. This along with the \$5.0 mil contributed from the 2014/15 financial year will bring the Government's contributions to the level outlined in the trust agreement.

Australian Regional Processing Centre

Operations of the Australian funded Regional Processing Centre (RPC) have not increased during the year and the expatriate Fly-in Fly-out workforce is showing a steady decline. As at May 2015, there were 487 refugees resettled into the community and a further 957 asylum seekers in the processing centres awaiting status determination. Whilst it is thought that further asylum seekers may be resettled into the community it is thought unlikely that the overall level of refugees is likely to increase. There is a possibility that the number of refugees on the island will decrease associated with resettlement in third countries.

During the 2014/15 financial year the Government has obtained \$1,000 per month per refugee visa fee for those accommodated on the island. In addition all ancillary costs associated with the refugees have been reimbursable expenses for the Government. Under the currently being negotiated 5 year plan the agreement is to move away from refugee associated revenues being determined on a per refugee basis to a block grant that covers these costs. It is understood that this grant will be on a 5 + 5 year basis. The estimated RPC related revenues in the 2015/16 estimates have been based on the 5 year plan.

PART 2: Economic Statistics

The Nauru Bureau of Statistics (NBS) is scheduled for a busy fiscal year (2015-16) with finalizing the final outputs of the Household Income and Expenditure survey by end of June 2015. This survey provides the new baselines and benchmarks for economic statistics and data for a second poverty analysis report. Other subsequent reports that will also be produced from the HIES will include a fishing and agriculture, Information, communication and technology, health, and education. as well as renewing the consumer price index basket and rebasing the consumer price index base year. The HIES survey re-establishes the benchmarks for economic statistics, and measures on National Accounts (GDP) and Balance of Payments (BOP). The most noticeable products from the HIES will be establishing the new Consumer Price Index basket (CPI) used in price surveillance for the monitoring of inflation, and a poverty report that studies living conditions and standards of the residents on Nauru. The census outputs on monographs are to be launched and published and will provide information on the demographic changes in population and social issues on disability youth, fertility and mortality establishing the foundation for further studies in relation to the population of Nauru.

The Government is committed to joining the International Monetary Fund (IMF) and achieving the statistical criteria's for data have 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. Between 2012 and 2013, development partners have committed expert assistance in the areas of National Accounts and survey undertakings for the HIES, including funding workshops and training attachments. A review of the National Accounts from FY2009/2014 took place and the findings of the mission are tabled herein this report. The Balance of Payments review and compilation occurred during the same period with the assistance of technical expert from IMF/PFTAC.

The bureau with Planning and Development counterpart (PAD) attended training on Government Finance Statistics (GFS) hosted by IMF and Australian Bureau of Statistics (ABS) in Fiji during 2014 and extended its capacity. Mapping current government accounting practices towards international standards is currently ongoing where the bureau will be working with treasury and international agency (IMF) in this regard.

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 assist with the membership quota for application to IMF. Subsequent follow up missions by IMF according to their Article IV check-up will become a regular fixture in the bureau's activities upon governments successful bid for IMF membership. 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.

There has been considerable cash in the economy from introduction of the Regional Processing Centre and the subsequent payments of the Nauru Phosphate Royalties Trust fund accounts and the pending salary arrears by government to landowners and employees. The injection of cash into the economy prompted very high growth rates between 2012 and

2014. The payments of the NPRT funds and pending salaries arrears estimated at over \$90 mil resulted in the excessive spending by citizens that comprised of unprecedented values of imports of motor vehicles and numerous consumer goods from established trading partners neighbouring pacific countries. The slowing down of growth between 2013 and 2014 is attributed to the reduction of imports. Reduction of imports from the RPC after finalising the major construction project of the centre can also be a contributing factor. The other factor coincides with increases in duty and damage to the mooring system. The subsequent damage of the mooring system can also be attributed to the larger than normal trade deficit.

Chart 1. Actual Constant (2007 Prices) GDP from FY2003 to 2011-2014 of four major economic industries affecting growth in commerce on Nauru

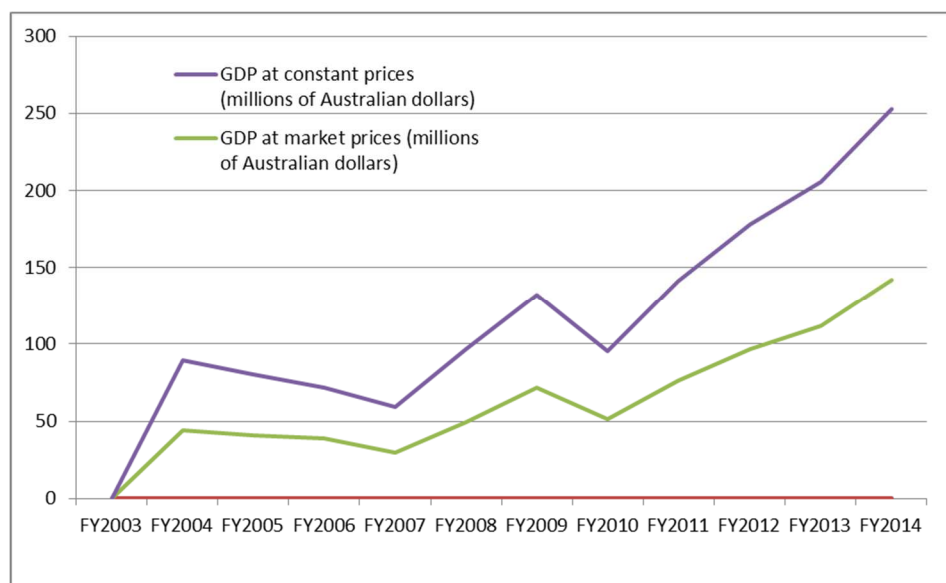


Chart 2. Actual Current GDP from FY2003-04 to 2011-2012 of four major industries affect commerce on Nauru

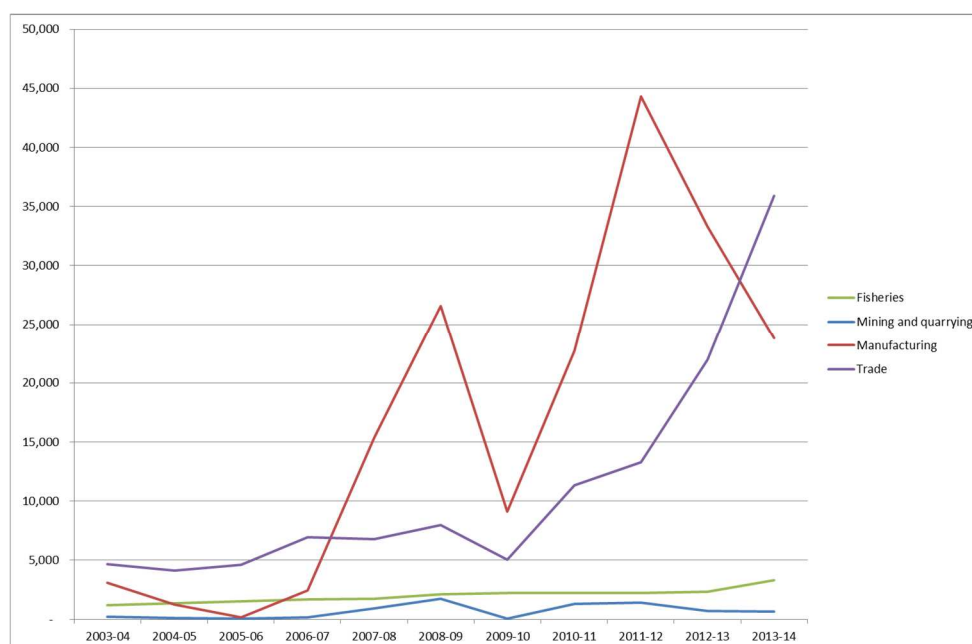
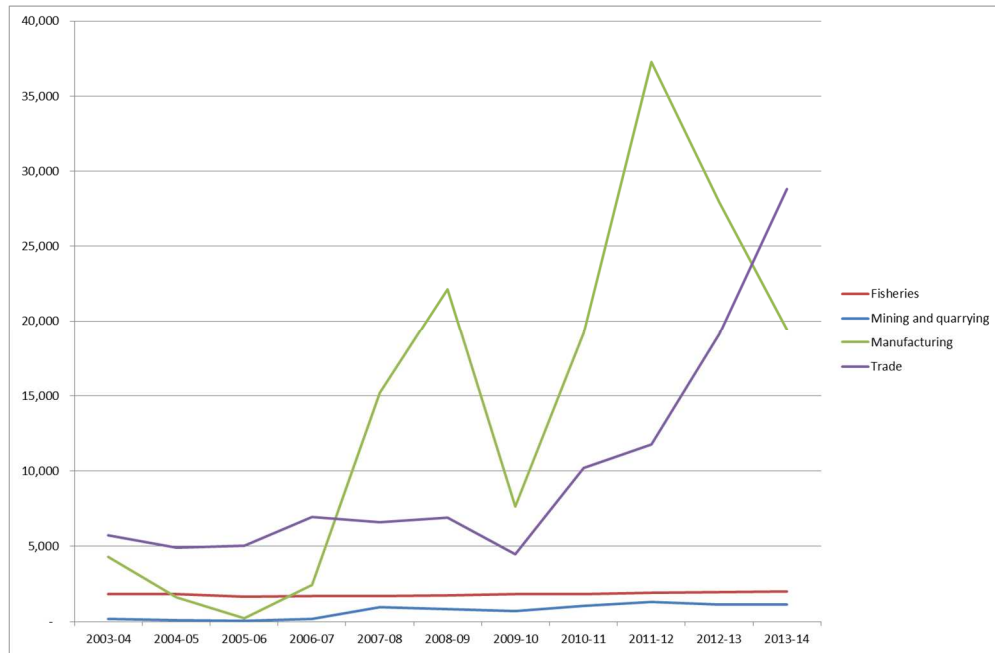


Chart 3 Actual Constant (2007 Prices) GDP from FY2003 to 2011-2014 of four major economic industries affecting growth in commerce on Nauru



National Accounts was last reviewed in March 2015 from FY2012/2013. Figures for years from FY2012/2013 need to be further revised to incorporate budgetary changes in expense or revenue that have occurred since the previous compilation in September 2014 due to the absence of some data from state-owned-enterprises. Chart 1 shows positive growth for GDP at both constant and market prices since 2010. Growth from 2012 can be attributed to payouts of salary arrears, NPRT funds and the revenues from the Australian Overseas Processing Centre (OPC).

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

Gross Domestic Product by Economic Activity

AUD'000	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Current Prices																					
Agriculture, forestry and hunting	672	742	851	929	917	1,146	1,189	1,204	1,201	1,261	1,732	10.4%	14.8%	9.1%	-1.2%	24.9%	3.7%	1.3%	-0.2%	4.9%	37.3%
Fisheries	1,220	1,352	1,544	1,688	1,723	2,146	2,223	2,251	2,247	2,358	3,334	10.8%	14.2%	9.3%	2.0%	24.6%	3.6%	1.3%	-0.2%	4.9%	41.4%
Mining and quarrying	245	93	74	159	928	1,749	52	1,319	1,410	708	679	-62.1%	-21.0%	115.9%	484.6%	88.5%	-97.0%	2423.3%	6.9%	-49.8%	-4.1%
Manufacturing	3,074	1,241	173	2,453	15,365	26,579	9,118	22,753	44,302	33,284	23,799	-59.6%	-86.0%	1315.5%	526.4%	73.0%	-65.7%	149.5%	94.7%	-24.9%	-28.5%
Electricity, water and waste management	2,102	2,102	2,101	708	803	2,493	3,530	2,088	2,164	2,387	3,758	0.0%	0.0%	-66.3%	13.5%	210.4%	41.6%	-40.8%	3.6%	10.3%	57.5%
Construction	971	1,036	2,522	1,209	2,125	2,258	2,191	2,441	2,441	2,591	2,979	6.7%	143.4%	-52.1%	75.8%	6.3%	-3.0%	11.4%	0.0%	6.1%	15.0%
Trade	4,687	4,118	4,601	6,937	6,784	7,967	5,044	11,367	13,318	21,996	35,909	-12.1%	11.7%	50.8%	-2.2%	17.4%	-36.7%	125.3%	17.2%	65.2%	63.2%
Hotels and restaurants	2,695	2,713	2,156	2,276	2,072	2,462	1,397	1,530	1,832	7,054	11,382	0.7%	-20.6%	5.6%	-9.0%	18.8%	-43.3%	9.5%	19.7%	285.1%	61.4%
Transport and communication	9,207	8,062	3,797	(584)	5,844	6,388	6,691	14,444	6,223	11,349	16,604	-12.4%	-52.9%	-115.4%	-1101.4%	9.3%	4.7%	115.9%	-56.9%	82.4%	46.3%
Finance and business services	1,549	1,577	1,782	2,007	2,190	3,384	3,398	3,475	3,752	4,020	5,498	1.8%	13.0%	12.6%	9.1%	54.5%	0.4%	2.3%	8.0%	7.2%	36.8%
Public administration	11,829	11,815	11,924	4,079	4,085	5,258	5,770	6,347	6,590	7,901	11,513	-0.1%	0.9%	-65.8%	0.2%	28.7%	9.7%	10.0%	3.8%	19.9%	45.7%
Education services	776	808	951	1,077	1,535	1,508	1,414	1,439	1,581	1,786	1,880	4.0%	17.7%	13.2%	42.6%	-1.8%	-6.2%	1.7%	9.9%	12.9%	5.3%
Health services	1,000	1,040	1,224	1,386	1,595	1,601	1,824	1,650	2,352	2,450	2,670	4.0%	17.7%	13.2%	15.0%	0.4%	13.9%	-9.5%	42.6%	4.2%	9.0%
Other services	510	547	599	652	670	810	840	844	871	897	939	7.3%	9.5%	8.8%	2.8%	20.9%	3.7%	0.5%	3.2%	3.0%	4.7%
Ownership of owner-occupied dwellings	3,248	3,291	3,124	3,817	4,045	4,976	4,449	4,475	4,690	4,827	4,757	1.3%	-5.1%	22.2%	6.0%	23.0%	-10.6%	0.6%	4.8%	2.9%	-1.4%
Taxes on products	519	456	1,083	1,782	1,992	5,847	5,945	4442.076	5,892	10,541	19,013	-12.1%	137.5%	64.5%	11.8%	193.5%	1.7%	-25.3%	32.6%	78.9%	80.4%
Subsidies on products	-	-	-	-	(2,688)	(2,874)	(2,500)	(4,470)	(3,304)	(2,708)	(3,286)					6.9%	-13.0%	78.8%	-26.1%	-18.0%	21.3%
GDP at current prices	44,303	40,993	38,506	30,575	49,985	73,699	52,574	77,599	97,563	112,698	143,160	-7.5%	-6.1%	-20.6%	63.5%	47.4%	-28.7%	47.6%	25.7%	15.5%	27.0%
Constant Prices																					
Agriculture, forestry and hunting	1,008	996	915	930	916	933	974	985	1,013	1,043	1,072	-1.2%	-8.2%	1.7%	-1.5%	1.8%	4.4%	1.1%	2.9%	2.9%	2.8%
Fisheries	1,820	1,809	1,660	1,688	1,717	1,746	1,823	1,843	1,896	1,951	2,006	-0.6%	-8.2%	1.7%	1.7%	1.7%	4.4%	1.1%	2.9%	2.9%	2.8%
Mining and quarrying	182	94	65	159	962	808	683	1,047	1,314	1,114	1,146	-48.4%	-31.2%	146.1%	505.8%	-15.9%	-15.5%	53.3%	25.5%	-15.2%	2.8%
Manufacturing	4,286	1,627	221	2,453	15,170	22,124	7,647	19,200	37,276	27,949	19,440	-62.1%	-86.4%	1011.6%	518.5%	45.8%	-65.4%	151.1%	94.2%	-25.0%	-30.4%
Electricity, water and waste management	3,058	2,693	2,305	708	786	1,901	2,674	1,582	1,657	1,828	2,821	-11.9%	-14.4%	-69.3%	11.0%	142.0%	40.6%	-40.8%	4.8%	10.3%	54.3%
Construction	1,238	1,288	3,030	1,209	2,040	1,792	2,030	2,273	2,231	2,368	2,840	4.0%	135.3%	-60.1%	68.8%	-12.2%	13.3%	12.0%	-1.8%	6.1%	20.0%
Trade	5,750	4,893	5,054	6,937	6,606	6,886	4,483	10,185	11,749	19,109	28,832	-14.9%	3.3%	37.3%	-4.8%	4.2%	-34.9%	127.2%	15.4%	62.6%	50.9%
Hotels and restaurants	1,988	2,069	2,704	2,276	1,959	1,933	1,284	1,396	1,663	6,408	10,365	4.1%	30.7%	-15.8%	-14.0%	-1.3%	-33.6%	8.7%	19.1%	285.4%	61.7%
Transport and communication	13,933	11,636	4,419	(584)	5,294	5,089	5,412	12,009	5,143	9,003	13,491	-16.5%	-62.0%	-113.2%	-1007.1%	-3.9%	6.4%	121.9%	-57.2%	75.0%	49.9%
Finance and business services	1,942	1,949	2,174	2,007	2,092	2,662	3,191	3,272	3,450	3,698	5,297	0.4%	11.5%	-7.7%	4.2%	27.2%	19.9%	2.5%	5.5%	7.2%	43.3%
Public administration	4,426	4,371	4,011	4,079	4,148	4,219	4,404	4,451	4,580	4,713	4,846	-1.3%	-8.2%	1.7%	1.7%	1.7%	4.4%	1.1%	2.9%	2.9%	2.8%
Education services	1,177	1,170	1,114	1,077	1,383	1,198	1,137	1,193	1,296	1,440	1,558	-0.6%	-4.8%	-3.3%	28.5%	-13.4%	-5.0%	4.9%	8.6%	11.1%	8.2%
Health services	1,516	1,507	1,434	1,386	1,437	1,272	1,467	1,368	1,927	1,959	2,115	-0.6%	-4.8%	-3.3%	3.7%	-11.5%	15.3%	-6.7%	40.8%	1.6%	8.0%
Other services	708	699	641	652	663	674	704	712	732	753	775	-1.3%	-8.2%	1.7%	1.7%	1.7%	4.4%	1.1%	2.9%	2.9%	2.8%
Ownership of owner-occupied dwellings	4,142	4,090	3,753	3,817	3,882	3,948	4,121	4,166	4,286	4,411	4,535	-1.3%	-8.2%	1.7%	1.7%	1.7%	4.4%	1.1%	2.9%	2.9%	2.8%
Taxes on products	720	582	1,159	1,782	1,972	4,868	4,985	3,746	4,956	8,857	15,687										
Subsidies on products	0	0	0	0	-2,661	-2,393	-2,096	-3,770	-2,779	-2,276	-2,712										
GDP at constant prices	47,894	41,471	34,658	30,577	48,367	59,661	44,923	65,658	82,392	94,327	114,115	-13.4%	-16.4%	-11.8%	58.2%	23.3%	-24.7%	46.2%	25.5%	14.5%	21.0%

Note: Latest estimates produced during two technical assistance mission by PFTAC/IMF in September 2014 and March 2015.

Balance of Payments

It is also not possible to produce reasonable BOP estimates and other National Accounts Survey (NAS) aggregates that are dependent on BOP and GDP(E) aggregates being available. Aside from the lack of good quality trade in goods 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. 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.

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.

The NBS recently began compiling balance of payments statistics with PFTAC assistance. The latest estimates were compiled revising 2012 figures and include a partial International Investment Position statement.

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; and a shift towards a quarterly data collection and compilation schedule.

It is proposed that a review of the Balance of Payments accounts will occur during August of September 2015 with technical assistance provided by experts from the Pacific Technical Assistance Centre (PFTAC).

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

(in thousands of Australian dollars, unless otherwise indicated)

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Current account</i>								
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
<i>Capital account</i>								
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
<i>Net lending/borrowing (Current+Capital Accounts balances)</i>	...	25,614.7	42,674.5	29,829.3	24,053.1	39,235.4	25,322.8	-8,941.9
<i>Financial Account</i>								
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
<i>Net lending/borrowing (Financial account)</i>	1,031.3	18,018.4	17,053.2	29,217.5	15,913.0	35,018.2	17,708.4	2,314.7
<i>Net errors and omissions</i>	...	-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
<i>Assets at end of year</i>								
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
<i>Liabilities end of year</i>								
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
<i>Services credit</i>	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
<i>Services debit</i>	...	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

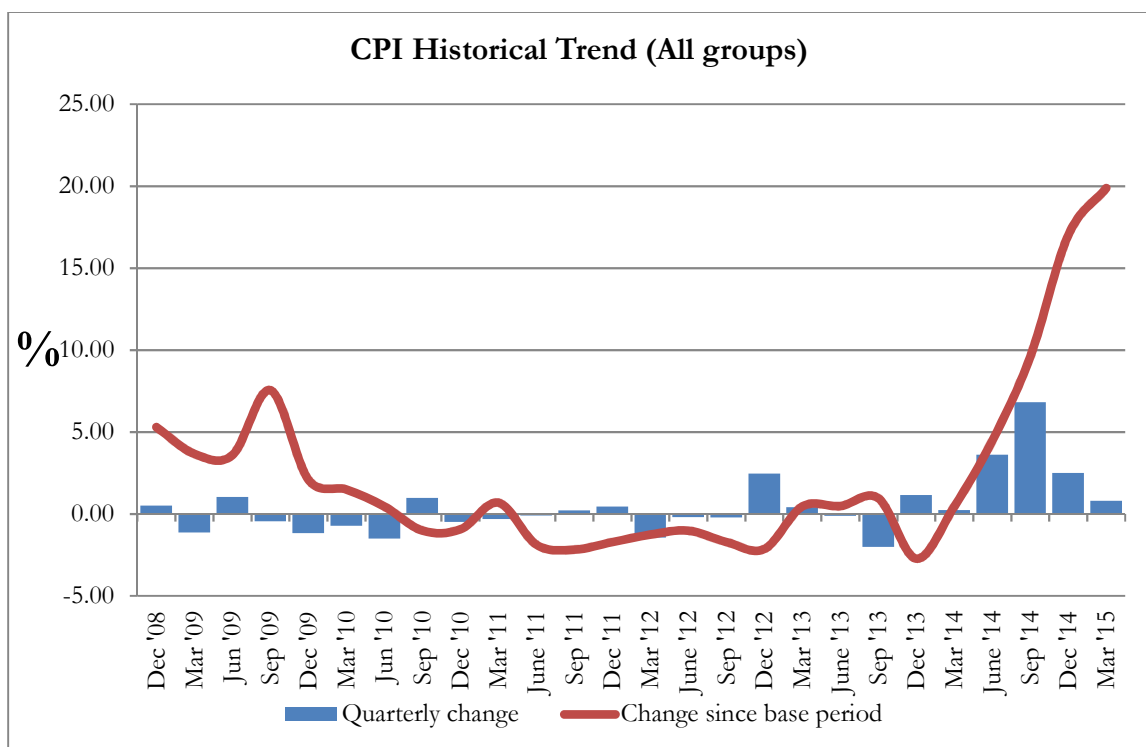
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Capital transactions credit</i>	2,366.6	3,397.6	4,271.3	3,940.4	4,790.8	880.0	2,460.0	3,238.4
Disposal of nonproduced nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transfers	2,366.6	3,397.6	4,271.3	3,940.4	4,790.8	880.0	2,460.0	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 inflation change since base period depicted in the linear graph of Chart1 shows that from the beginning of the CPI series when it was rebased in August 2008 that price levels were higher and steadily declined down around the mid-point of the series. Around 2014 until current the series rose sharply as a result and its mainly attributed to the growing Food group overtime.

In terms of the quarterly change which is represented by the bar graph of Chart1 is quite volatile. The notable change is the one off rise of the quarterly change from the mid 2015 which is attributed to increase of Food, Alcohol, Household operations, Transport & Communication and lastly Miscellaneous.

Chart 1. CPI Historical Trend



In an annual perspective (Chart 1) for March 2015 the goods and services posted an increase of consumers' prices as result for a majority increase of the CPI groups with four out of the seven groups posting positive values.

The largest contributor to the annual price increase is the significant surge of the Alcohol & Tobacco index with 20.9 percent compared to a year ago. The main contributors are traced to the following items with rising prices of cigarette up by 21 percent as well as beer up 20 percent.

Posting similar upward trend is the important Food index with 18.8 percent. As shown in the table below the main components affecting this rise is topped by 1 kg tuna up 187.5 percent and following in descending order the remaining 15 main contributors.

Table: 1

			01 AUG '08	MAR '14		MAR '15			
ITEM NAME	DESCRIPTION	WEIGHT	BASE PRICE	PRICE	INDEX	PRICE	INDEX	Diff	% Change
Fish	Tuna/Skipjack(bonita)/1 kg	2.50	6.00	4.00	6.00	11.50	17.25	11.25	187.50
Plate of food/Take away	Plate of food/take away	2.20	3.77	3.50	3.77	5.50	5.92	2.15	57.14
Potatoes	Potatoes/sea freight/1kg	0.14	3.90	2.64	3.90	3.90	5.77	1.87	47.87
Canned Tomatoes	Tinned tomatoes/brand/400g	0.71	1.97	1.85	1.97	2.60	2.77	0.80	40.54
Butter	Imported butter/brand/250g	1.43	2.65	2.60	2.65	3.63	3.69	1.04	39.42
Rice	Imported rice/sunwhite/bag/25kg	15.48	41.00	35.50	41.00	43.61	50.37	9.37	26.39
Canned Meat	Tinned meat/luncheon/397g	1.69	2.43	3.00	2.43	3.70	3.00	0.57	23.33
Tea	Imported tea/100 bags/180g	0.49	4.60	3.05	4.60	3.72	5.60	1.00	21.80
Soya sauce	Soya sauce/light/500ml	0.58	2.90	2.77	2.90	3.20	3.35	0.45	15.66
Sugar	Imported sugar/white/brand/2kg	4.60	4.10	4.30	4.10	4.88	4.66	0.56	13.57
Self raising	Imported Flour/self raising/1kg	0.39	2.50	3.18	2.50	3.66	2.88	0.38	11.87
Eggs	Imported Eggs/dozen/600g	0.29	5.47	5.70	5.47	6.23	5.98	0.51	9.36
Baby food	Baby food/heinz/vanilla custard/110g	0.44	1.27	1.80	1.27	1.95	1.38	0.11	8.33
Chicken	Imported Chicken/cuts/2kg	7.99	9.18	7.71	9.18	8.30	9.88	0.70	7.65
Cooking Oil	Cooking oil/brand/750ml	0.52	4.57	4.10	4.57	4.41	4.92	0.35	7.56

The Household operations index reported slightly smaller annual growth in comparison to the latter indexes with 12.1 percent. The major components impacting this change are related to the rise in electricity bills up 86.7%, beds up 49.1%, water bills up 33.3% and mosquito coils up 22.8%.

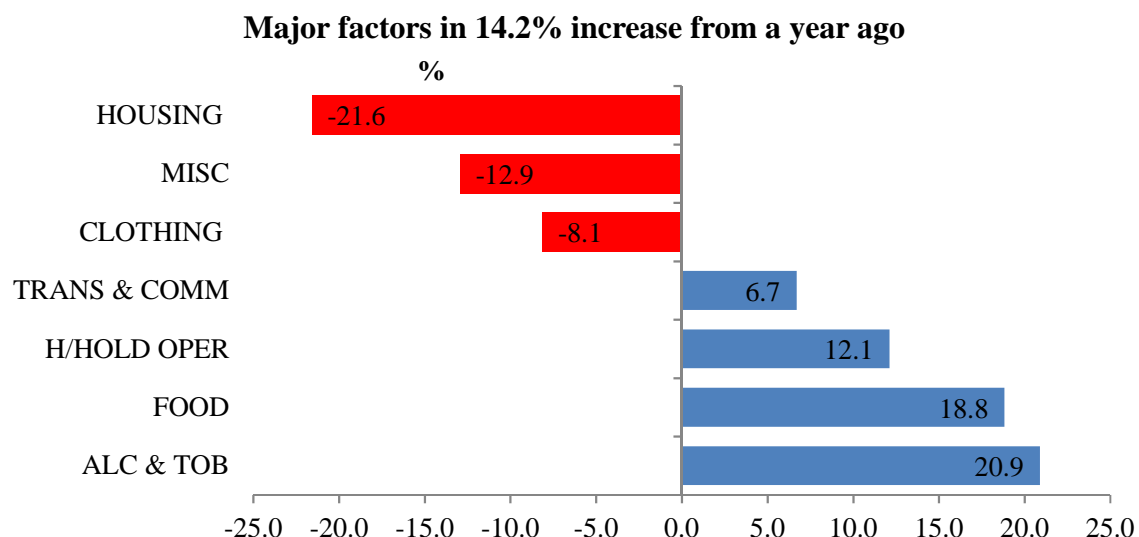
Also trending upward is the Transport & Communications group with 6.7 percent and the main contributor is traced to the increase of airfare which inflated 17.6 percent and oil up by 14.3%.

On the offset, the index for Housing index posted annual deflation with 21.6 percent. Within Housing the largest contributor's is lead to declines of ceramic tiles with 32.4%. Cement and paint also contributed with declines of 21.4 and 19.2 percent respectively.

This is followed by the decrease of Miscellaneous index with 12.9 percent. Contributing factors were fishing hooks down 80.0%, overseas magazines down 50.0%, school clothing 35.0% and bathing soap 12.7%.

Clothing index posted the lowest decline with 8.1 percent. The main factors were traced to declines in t-shirts and footwear with 23.6% and 22.2% respectively.

Chart 2. CPI Annual % change



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. A Proposal to implement and revamp the PcTrade within the bureau and the Customs office in 2015-2016 aims to improve the capturing to improve data quality and monitoring of trade statistics.

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, Fiji and New Zealand. It is evident that imports from 2013 have increased which is viewed as a direct result of the introduction of the Overseas Processing Centre.

Chart 3. Proportion of Nauru's Duty free and Non duty-free imports CY2002 – 2014.

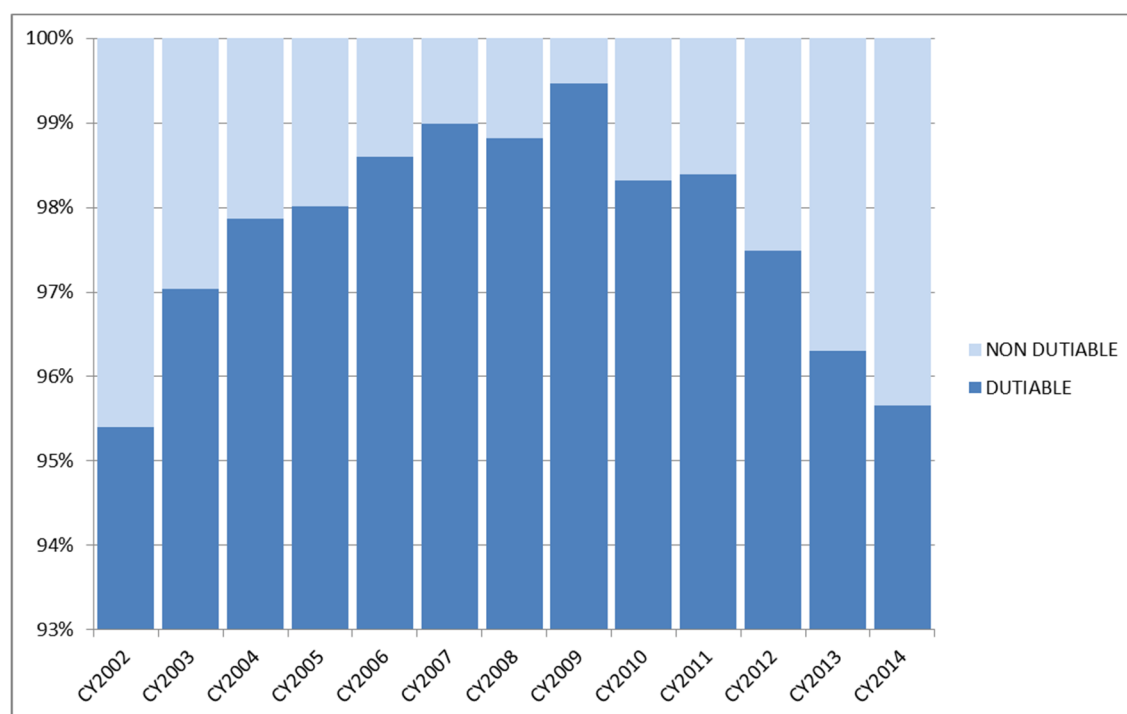
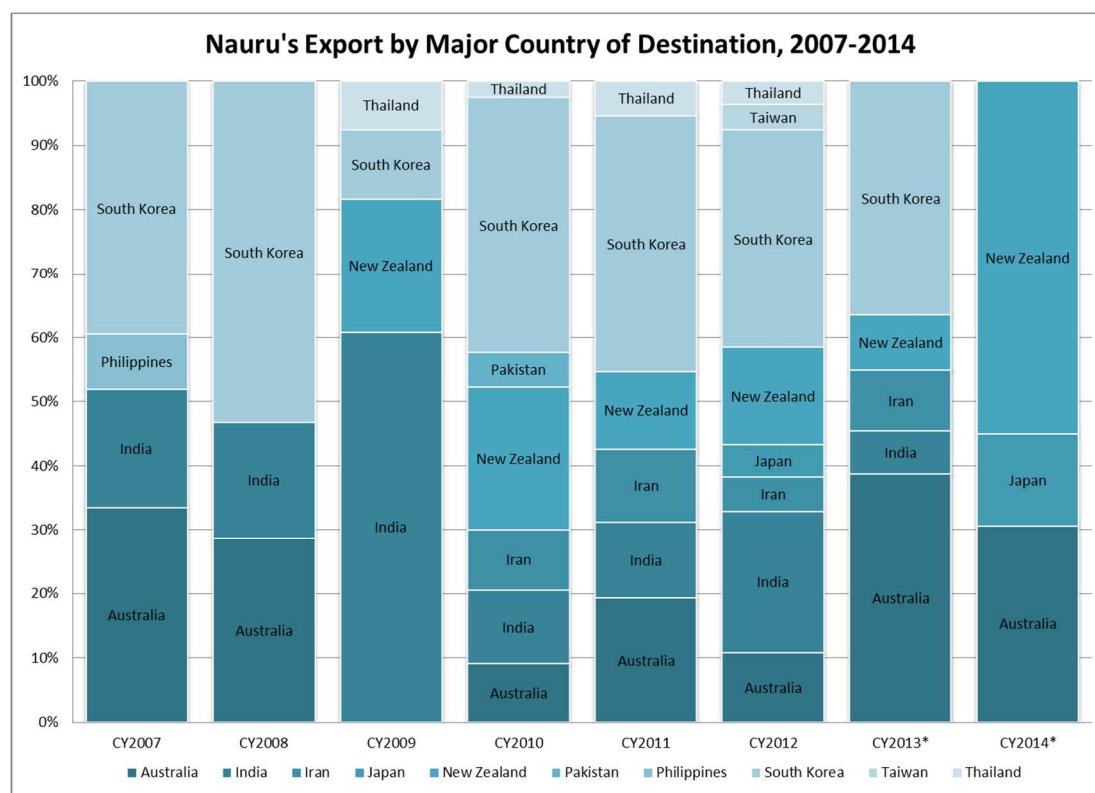


Chart 4 below shows the indicative proportions of Nauru's major trading partners throughout the years from 2007 to 2014. Each consecutive years show different major trading partner as the main country of export for the republic.

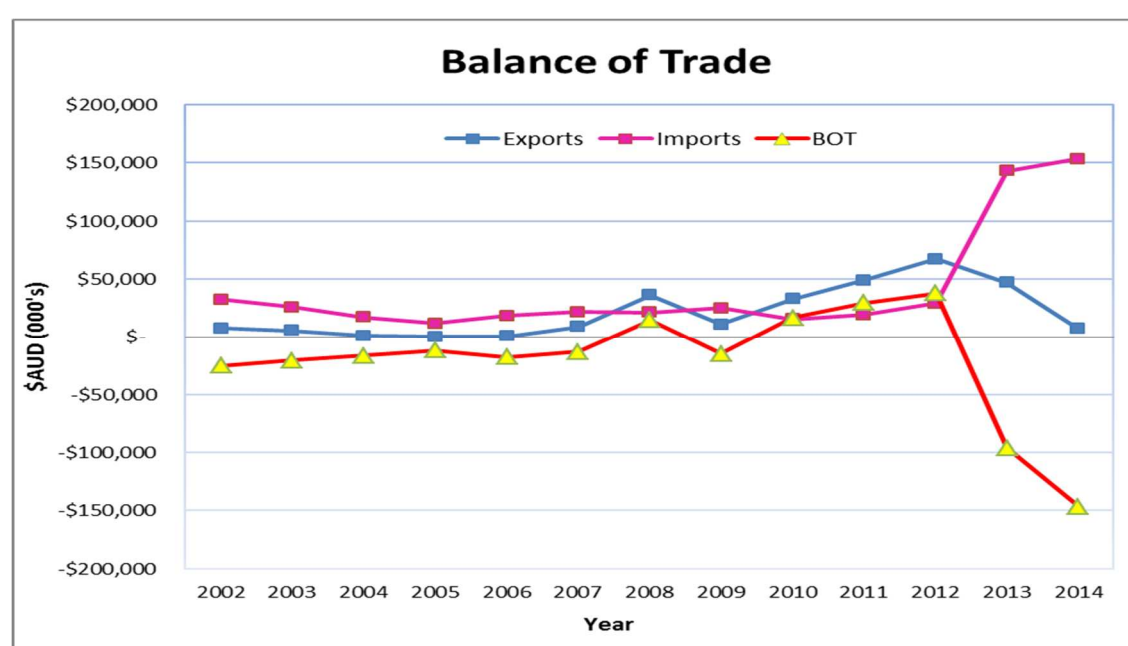
Chart 4. Exports value by primary trading partners, CY2002-2012



Note: * Figures for 2013 and 2014 are not yet conclusive and may change upon availability of audited data

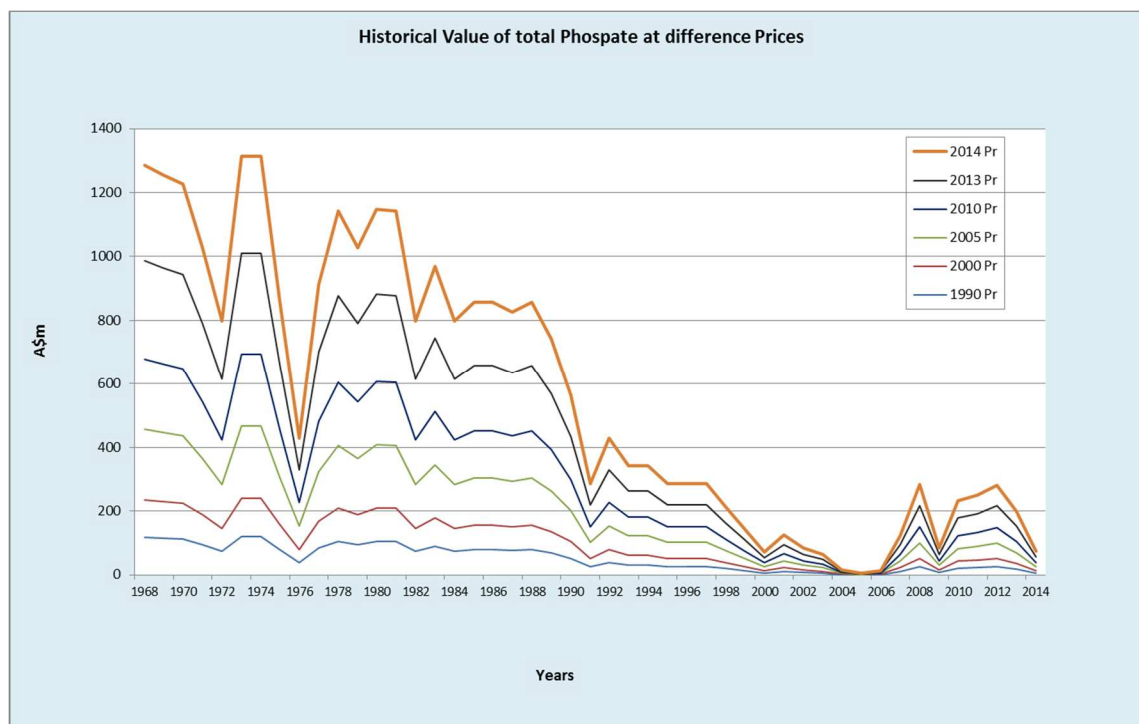
Nauru's Balance of Trade determines the health of the economy and its relationship to the rest of world. The balance of trade depicted in Chart 5 returned a trade deficit of almost \$96 million in 2013 following a surplus in 2012 of \$38 million. In 2014 the deficit grew by 53% to \$146 million. Through the payments of the Nauru Phosphate Royalties Trust Funds, salaries arrears (pending salaries) and Bank of Nauru savings the trade deficit widened through imports of personal goods. As a proxy indicator the number of containers offloaded started off with approximately one hundred (100) units in early 2013 and now currently maintains a maximum of approximately 300 to 400 units of containers per shipment. This indicates that shipment of imports have increased by a factor of four or possibly more from modest beginnings. The second contributor to the increasing deficit through imports can also be attributed to construction materials being imported to rebuild the Overseas Processing Centres and related ancillary units after the most recent riots. On exports the phosphate industry did not meet most of its obligation, and the main cause has been determined to be due to the extensive damage to the mooring system.

Chart 5. Exports value by primary trading partners, 2002-2014



Note available imports figures are only for Australia, Fiji and New Zealand.

Chart 6. Historical Value of Total Phosphate Export at constant and current prices, 1968 - 2014



Production of phosphate in 2013 and 2014 has yielded figures that reflected those of 2009. Prices reached its peak in 2012 over the past five years. Moorings and equipment problems continue to remain a stumbling block for the industry. In addition total depletion of resources remains a reality check point despite sustainable measures to prolong activities as well as difficulties in the extraction method. The weakening of the Australian dollar as the main currency of the republic did not have noticeable impact on phosphate production overall, to suggest that demand is either on the increase or decrease. Sales of phosphate have always been negotiated using the US dollar.

Labour Force Statistics

Labour Force Administrative Sources 2013-2015

Table 1. Proportion of Labour Force by Employer and Periods 2013-2015

EMPLOYER	TOTAL (%)			LOCAL (%)	EXPAT (%)
	Y2013	Y2014	Y2015	Y2015	Y2015
RON Government	38.6	43.5	44.0	40.5	3.5
Regional Processing Centre	7.0	32.0	31.1	17.2	13.9
Ronphos (SOE)	15.1	9.6	9.8	9.5	0.3
Eigigu (SOE)	12.3	7.8	8.2	7.1	1.1
Nauru Rehabilitation Corporation (SOE)	9.7	5.6	5.3	5.0	0.3
Nauru Airlines	1.3	1.5	1.5	1.5	0.0
Other (Private)	16.0	*na	*na	0.0	0.0
TOTAL	100	100	100	80.9	19.1

Sources: Derived from administrative sources

Note: *not available

Chart 1: Proportion of Labour Force by Employer and Periods 2013-2015

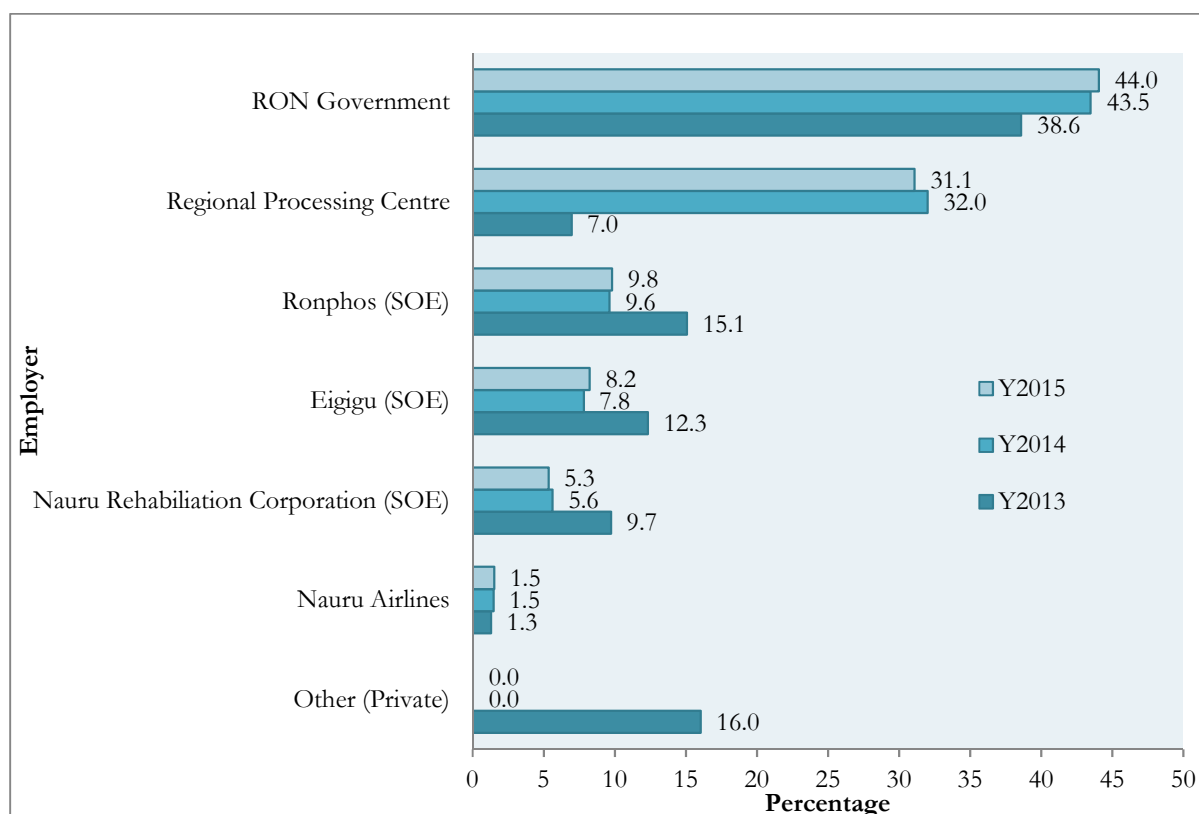


Table 1 and Chart 1 are both relatively illustrating the similar results concerning the labour force situation within the Nauru economy. Currently the two largest line agencies where most of the working population are engaging occur at RON Government public service and the RPC known as the Regional Processing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

In Chart 1 above shows that the employment population at the RON Government public service shows a slight increase to 44.0 percent in year 2015 compared to year 2014 which was 43.5 percent and 38.6 during the previous year in 2013, whereas the employment population is 40.5 percent are locals and 3.5 percent are expats in year 2015.

The employment population at RPC shows a slight declined annually to 31.1 percent in year 2015 compared to year 2014 which was 32.0 and a rapid increase occurred during the previous year 2013 which was 7.0 percent, whereas in year 2015 the employment population for locals is 17.2 percent and 13.9 percent are expats.

During between the periods 2015 and 2014 the employment population for the remaining state owned entities shows below 10 percent, whereas RONPHOS and Eigigu Holdings are experiencing a slight increase while Nauru Rehabilitation shows a slight decline and Nauru Airlines remains steady. RONPHOS and Eigigu Holdings were over 10 percent during year 2013.

Percentage wise in above Table 1 shows that the local employment population continues to outnumber the expatriate workers during period 2015 by each line agencies which shows an overall of 80.9 percent of local workers and 19.1 percent expatriate workers.

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 (the retirement age) 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 school 15yrs +

- Home duties/care,
- Do not want to work,
- Too old/disabled

Table 2. Labour Force Participation populations, 2002 to HIES 2012/13

WORKING AGE (15+)	Census	Census	Census	HIES* 2012/13		
	Y2002	Y2006	Y2011	Male	Female	Total
Total Population	10,065	9,086	10,084	5,207	5,086	10,293
Labour Force	3,280	4,106	3,952	2,391	1,493	3,884
- Unemployed	746	1,567	906	23	18	41
- Employed	2,534	2,539	3,046	2,369	1,475	3,843
Not in Labour Force	996	1,109	2,223	786	1,712	2,498
Working Age population	4,276	5,215	6,175	3,181	3,211	6,391

Note: HIES* = Household Income and Expenditure Survey

Table 3. Labour Force Participation rates (%)

WORKING AGE (15+)	Census	Census	Census	HIES* 2012/13		
	Y2002	Y2006	Y2011	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

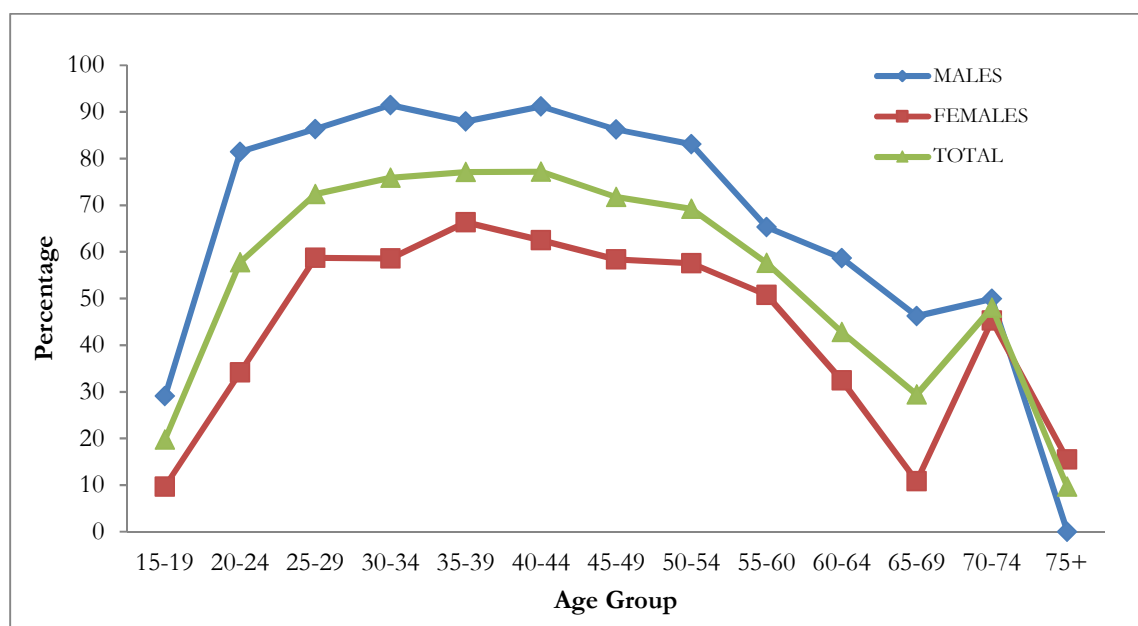
Note: HIES* = Household Income and Expenditure Survey

In Table 2 and Table 3 above are related in terms of actual and percentage figures. The results in the Household Income and Expenditure Survey 2012/13 shows 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 2: Labour Force Participation rates (LFPR) by age and sex (%) HIES 2012/13



In Chart 2 above 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 4. Economic Activity – 2002 and HIES 2012/13

WORKING AGE (15+)	Census Y2002	Census Y2006	Census Y2011	HIES* 2012/13		
				Male	Female	Total
Total Population	10,065	9,086	10,084	5,207	5,086	10,293
Economically Active	3,280	4,106	3,952	2,391	1,493	3,884
Economically Inactive	6,785	4,980	6,132	2,816	3,593	6,409

Note: HIES* = Household and Expenditure Survey
Including Total Non-eligible working age persons and Total Persons in Institutions

Table 5. Economic Activity by proportion

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

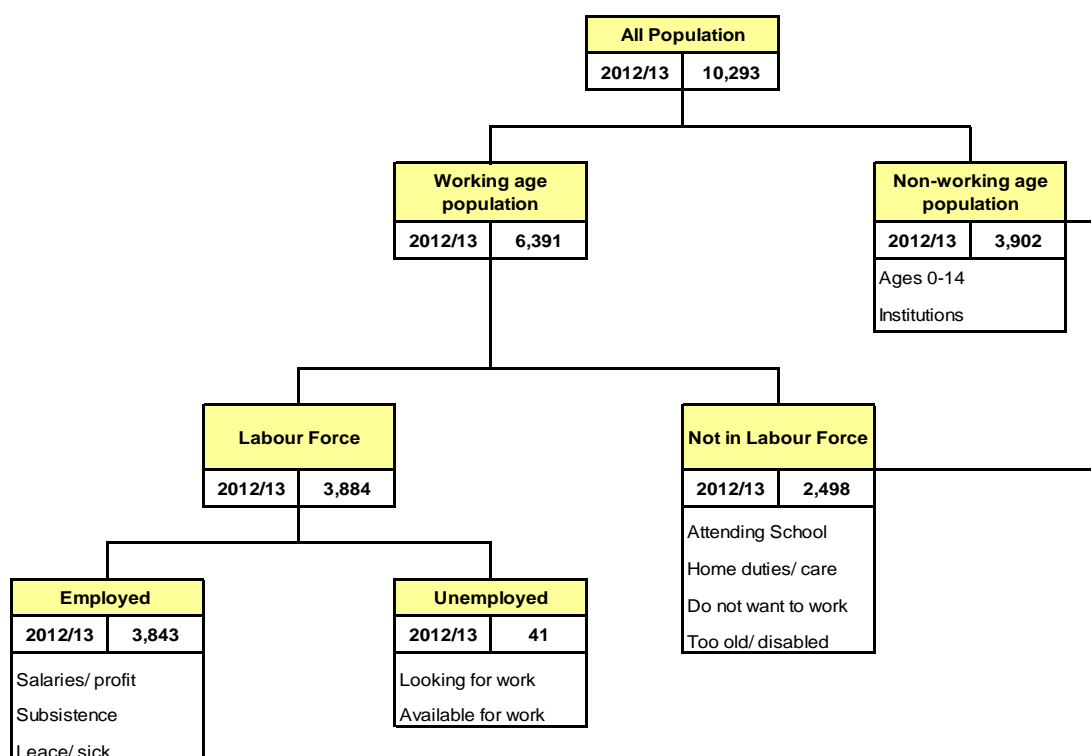
Note: HIES* = Household and Expenditure Survey

Table 4 and 5 are related in terms of actual and percentage figures. Economically active is calculated from the Labour Force population size by whole population size including all ages as 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 size including all ages as the result shows 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.

Chart 3. Labour Force Structure – HIES* 2012/13



Note: HIES* = Household and Expenditure Survey

In Chart 3 it 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 age 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 2,498. Not in Labour Force structure represents pupil attending school, home duties/care, do not want to work and too old/ disabled. 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.

PART 3: State Owned Enterprises

This section provides a brief overview of the objectives and financial expectations of the SOEs in 2015-16.

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 though 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 \$11.9 million and operational expenditure of \$14.0 million. After depreciation and other revenues, NRC is proposing to make a profit of \$2.7 million. This contrasts with the expected forecast loss of \$6.4 million in the current year. Planned capital expenditure for 2015-16 is \$1.3 million. Other planned revenue from Radca, interest, fund 4 and Ronphos debt payments of \$2.0 million. The largest proposed Development Project Revenue is from Armour Rock sales of \$5.0 million. If the estimates are achieved they provide for an proposed net cash flow of \$5.5 million for 2015-16.

It is of concern that there is such a difference in the 2014/15 budget estimates and actual outcomes. If the underlying problems that have driven the result in the current year continue into 2015/16 it is again unlikely that budget forecasts will be achieved.

Eigigu Holdings Corporation

Eigigu Holdings Corporation has indicated a favourable business outlook for 2015/16 due to the continued operation of the RPC. During the current year it has made investments in the provision of additional accommodation and into the Eigigu supermarket. The Construction and Manufacturing subsidiaries of the corporation have also benefited 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 is an 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.

In 2015-16 Eigigu proposes to make a profit of \$2.7 million and provide a \$0.5 million dividend to Government. The majority of this profit being generated from the operations of the Menen Hotel.

Nauru Airlines

Nauru Air Corporation, previously trading as Our Airline has changed its name during the year to Nauru Airlines. With the addition of a freighter and new passenger aircraft it now operates five Boeing 737-300 aircraft in compliance with the regulatory requirements of the Australian Civil Aviation Safety Authority (CASA).

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 a third 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. It is also planning on capitalising on freighter opportunities in other pacific ports.

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
- Increasing maintenance costs
- Increasing regulatory requirements resulting in increases in overheads

For 2015-16 Nauru Airlines is planning to achieve \$66.2 mil in revenue of which about \$11.7 mil is expected from freighter operations. The budget proposes returning a \$2.9 mil after tax profit.

Nauru Utilities Corporation

Utilities continue to focus 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 an organization restructure and job evaluation. It has an ongoing investment program to replace existing but dilapidated infrastructure with more modern and efficient generators and electricity distribution. The intention is to ensure Nauruan’s have access to reliable and sustainable energy and quality water services.

In the 2015/16 financial year the NUC budget is expecting \$11.7 mil in revenues of which \$1.4 mil is derived from water sales. It is expecting \$9.1 mil in operating costs, leaving a operating surplus of \$2.6 mil. These figures exclude the costs of fuel for electricity production and proposed capital expenditures during the year.

PART 4: National Sustainable Development Strategy

The National Sustainable Development Strategy 2005-2025 (NSDS) was launched in 2005 establishing for the first time ever, a national long term strategic development plan for Nauru. The NSDS identifies key national development goals and the strategies and activities required to achieve those goals. The Strategy remains very relevant and central to the Government’s development agenda.

Monitoring and implementation of the NSDS is detailed in Part V of the NSDS. Monitoring is undertaken through the Annual Operating Plans (AOP) which is carried out twice yearly. This process links line agencies’/departments’ annual work plans to the NSDS as mandated by the Policy development and implementation framework of the NSDS. A review of the NSDS was scheduled to take place during 2015. One of the primary aims of the review is to revise and update the NSDS document to reflect Nauru’s changing social and economic environment. The review also aimed to align the NSDS into an Operational Development Strategy that can be costed and to evaluate progress on targets and milestones.

The proposed 2015 review has not taken place. A key factor contributing to this delay is the lack of capacity within the Planning and Aid Division (PAD), the lead agency responsible for undertaking the NSDS review. The key post of Deputy Secretary remains vacant and staff turnover is high. Added to PAD's capacity constraints, is the inactive National Development Committee (NDC). The NDC plays a critical role in the monitoring, implementing and review of the NSDS.

It is also important to note that the SDGs of Post 2015 will be launched September of this year. Any review will need to factor in the SDGs to ensure that Nauru's development agenda is aligned with the global development agenda. Delay in commencing the NSDS review of 2015 is probably to the nation's advantage given the status of the upcoming Sustainable Development Goals (SDGs) of Post 2015. When the NSDS was first drafted and announced back in 2005, the 8 Millennium Development Goals (MDGs) were incorporated into that first edition of the NSDS. The subsequent consequent 2009 review of the NSDS not only maintained the MDGs, but also incorporated strategies to improve monitoring and implementation with the introduction of Key Performance Indicators (KPIs). The MDGs will be finishing in 2015 and the global development agenda for post 2015 is articulated in the upcoming SDGs. The SDGs will be finalized and ratified in September of this year. Therefore, it is in the nation's interest to delay the NSDS review of 2015 to await finalization and ratification of the new SDGs. By doing so, it will allow Nauru to incorporate the SDGs into its revised NSDS and further ensure that the NSDS remains aligned to current global development agendas.

Progress on the National Sustainable Development Strategy

Social Sector

The Social Sector continues to celebrate many successes but experiences many challenges as well. Successes include building/structural redevelopments and improvements, continuous capacity building initiatives as well as increased availability, quality and quantity of resources. Challenges include high staff turnover, limited staffing capacity and institutional capacity and procurement delays and confusion.

Education

In the Education sector, school enrolment rates continue to improve however truancy also continues to plague the Education Department as one of its biggest challenges. In response the Education Department is in the process of developing a truancy strategy to address this issue. Some of the activities already in place to address this issue include the School Feeding program which provides free lunches to all school students and enforcement of the Education Act by which parents of children found to be truant are prosecuted and fined. The national curriculum for all Nauruan schools has been reviewed and new curricula have already been rolled out for all schools. Notably for students in Yr11-Yr12, the curriculum followed is the Queensland Certificate of Education (QCE) curriculum. This curriculum is of international standard and the first batch of students has graduated with this certificate at the end of 2014. The TVET program also continues to be offered at Nauru Secondary School with a number of students also graduating at the end of 2014 Certificate II qualification in their chosen TVET areas. Another notable progress for Education is the development and introduction of the Family Life Education (FLE) program which incorporates family life issues into the curriculum including issues regarding reproductive health. This program is currently being trialled at the Yr. 9 level at Nauru College.

Capacity building in the Education Department continues to enjoy great success with the continuation of teacher up-skilling programs with the University of New England (UNE) as well as University of the South (USP). In late 2015 or early 2016 the Education Department will see their first batch of teachers graduate from UNE with an Associate Degree in Pacific Education. USP has already successfully graduated another batch of teachers with a Diploma in Early childhood education while also continuing to train another group for a certificate in Early childhood education. Capacity building within the Education Department is not exclusive to teachers but is also extended to other members of the department such as senior management/administration and operational staff also undergoing training. Other training providers for the Education department include Queensland Educational Leadership Institute (QELi), TAFE Queensland and Queensland Studies Authority (QSA). Despite the successes in capacity building, Education continues to experience severe staff shortage and turnover thus it also continues to employ a large number of expatriate staff to fill the gaps that cannot be filled by local staff.

Education has also enjoyed great success in terms of infrastructure with school refurbishments continuing to take place. In particular much needed major works have taken place at Kayser College while other schools have enjoyed some urgent minor repairs. The Learning Village continues to progress steadily albeit not quite at the desired rate. As of May 2015, Phase 1 of the Learning Village was successfully completed and the TVET Automotive centre was officially opened.

Health

For the Health Department, a Health Sector review was recently carried out and preparations are underway for the development of a new sector strategy. Appropriate and promising work continues towards the drafting, revision and passing of Health legislation such as the Health Act and National Medicine Policy. Work also continues to not only draft and pass such legislation but to also implement and operationalize such documents.

A major development within the Health Department is the progress made towards the Hospital Redevelopment program. To date, scoping works have been completed and a design has been decided upon out of 3 options. Nauru's major development partner Australia DFAT has agreed to commit \$11.5 million towards this project will be implemented through the Department of Immigration and Border Control (DIBP), Australia. This project will see significant improvements to the infrastructure capacity of the RON Hospital which is Nauru's only medical service provider.

Similar to the Education Department, capacity building is also a key focal area for the Health Department. Capacity building continues to take place throughout the Health Department for staff. Key personnel continue to be trained both on and off island with funding from government of Nauru as well as Nauru's development partners such as Cuba, Australia DFAT, and Taiwan etc. Again similar to Education Department, staffing challenges such as turnover and capacity remain a major issue with Health and as such Health continues to engage a large number of expatriates to cover their gaps.

While ICD coder training has taken place for Health staff in regards to improving the overall Health Information System (HIS) the full potential for the improved HIS cannot be realized until completed of the redeveloped hospital structure.

Another important milestone for Health is the finalization of the Non Communicable Disease (NCD) strategy which will be submitted to cabinet in the very near future for endorsement and consequently implementation. This strategy has been developed alongside strategies for HIV/STI to ensure alignment and coordination. The corresponding action

plan has already developed and some actions are already being actioned due to the urgency and seriousness of the issues being addressed within the strategy. An example of an action item of the NCD Action plan include the ongoing Health promotion campaigns being carried out via Nauru Media Bureau (TV and radio) and Digicel text blasts as well as health team visits to schools and communities for NCD screening, advice and in some cases diagnosis. Another key action item of the NCD strategy is the reestablishment of the Community Health Centres. 3 portable clinics are in the process of procurement which are to be placed in the communities in addition to the 2 operational clinics currently being trialled in Meneng and Buada. Success in this venture will eventually see the clinics operating daily thus expanding the reach of the medical services island wide.

The Mental Health services of RON Hospital also continue to improve. Regular visits from specialist professionals in Mental Health are scheduled to visit Nauru on a quarterly basis. Awareness and Community Outreach Programs continue to take place through the Public Health team.

Sports

The development and enactment of the Sports policy was a key achievement. The policy made provision for the awarding of cash prizes to Nauruan athletes who perform exceptionally well in overseas sporting ventures. This year saw the official closure of the Epon Keraman (EK) entity. Prior to closure EK completed the refurbishments of the basketball courts in Denig, Aiwo and Yaren.

Home Affairs

The Ministry of Home Affairs houses the Youth Affairs, Women's Affairs, Department for Family and Community Services, the Culture and Language department, Clean and Green Division, Tourism, and Post and Philately office. A number of key developments have taken place within this ministry. For Youth Affairs, structural redevelopment is commencing while the Post-bridging program for Youth Affairs continues in partnership with USP and Australia DFAT. In Women's Affairs department the first CEDAW report has been completed ready for submission and an Action Plan to this effect has been written and is pending implementation and review. Also under Women's Affairs, the Safe House operations continue to improve with the engagement of male counsellors to work together with the female counsellors as well as improvements to the structural capacity.

Cross Cutting Sector

Public Administration

Annual Operational Plans were developed as part of the 2015-2016 budget process, however it is clear the further work is needed to ensure that output-based budgeting is fully achieved and practical.

The contracting of Charles Kendall Procurement is aimed at improving the procurement process for the Government and aims to achieve cost savings and value for money. This is also consistent with the NSDS Public Administration sector medium term goal which emphasizes the outsourcing of government services.

The Government is committed to strengthening its human resource capacity within the public service and this has been evident in the recent training programs offered through the office of the Human Resource Management. One of the training programs offered for public servants was for a HR Management Certificate IV where twenty five staff members

from various departments participated in. Other courses are also being offered to public servants for study at USP.

The Government of Nauru is engaging the assistance of the International Labour Organisation (ILO) to develop a situational analysis for employment for Nauru. The Situational Analysis of Employment Policies which will be used as a tool to inform the development of a new National Employment Policy in Nauru.

Phase 1 of the Salary review/reclassification work was completed as of September 2014 with phase 2 expected to begin mid-2015 onwards.

The Student Internship program continues to guide school leavers into developing their career paths and has been successful to date.

Environment

The Pacific Adaptation to Climate Change (PACC) project initiated the Solar Water Purifier project which will see the installation of solar purifiers onto the community water tanks. The concept was developed to complement the existing Japan funded Community Water Tank project. Also a Major Rapid Biodiversity Assessment (Bio-Rap) was undertaken back in June 2013 and this was in co-ordination with the NBSAP project. The end-result from the Bio-Rap will be a comprehensive State of Environment Report.

The GCCA-PSIS project is nearing its end and is aimed at improving water catchment at the household level. Two hundred houses were identified for this project.

The Island Biodiversity Programme of Work is also a project nearing its end. The objective of the program is to contribute to the implementation of the Convention of Biological Diversity's Island Biodiversity Programme of work by supporting an integrated ecosystem approach to biodiversity conservation management at local level.

A national water resource management policy was developed and implemented and this important document will provide the framework for a coordinated action in the efficient management and sustainable use of Nauru's water resources.

The Ridge to Reef project is expected to commence in the next 2015-2016 year. This project is intended to help maintain and enhance Nauru's ecosystem goods and services (provisioning, regulating, supporting and cultural) through integrated approaches to land, water, forest, biodiversity and coastal resource management that contribute to poverty reduction, sustainable livelihoods and climate resilience.

Governance Institutions

One of the key highlights for Justice Sector is the development of the Justice Strategic Plan 2015-2025. This key document will directly support the achieving of the NSDS goals for the sector with great emphasis on local capacity development and improved access to court services. The Department of Justice and Border Control (JBC) and Judiciary have also initiated the pleaders course for its staff. This program is being funded by New Zealand Government through NZAID. Various training and capacity development are taking place for the NPF. In 2015 a workshop on investigative techniques was conducted for the NPF. Recently in May 2015 Parliament recruited an expert to develop/update the Parliamentary Handbook. The Parliamentary Handbook will synchronise 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, especially by newer members of parliament, as a guide for parliamentary proceedings. The Audit work plan has been

formulated and routine auditing of government accounts have begun though auditing accounts prior to the 12/13 financial years is not possible due to the absence of the required accounts and account records for those years. The Audit office is working closely with the Pacific Association of Supreme Audit Institutions (PASAI).

Economic Sector

Government continues to support the key goal of a stable macroeconomic environment which is conducive to private investment. Progress in this sector varies across the board, some areas have had significant improvements and progress with other areas slacking in progress.

A major milestone which is cause for celebration is the inauguration of the Bank of Bendigo agency in early June this year. After a decade with no bank, this is an important step forward for the government. A banking facility will facilitate commerce activities more efficiently in Nauru. Moreover it will provide to Nauruan's the banking services which have been absent for more than a decade. It is expected that the first lot of salaries will be paid through Agency as of PPE05/06/15. On the same note Insurance service are being offered by a foreign insurance service provider.

Plans are currently underway for further improvement to the current budget processes. A manual is currently being formulated by a TA to enhance budget formulation. This document will play a key role in future budget preparations. Furthermore new budget policies and initiatives such as the midyear review will further promote transparency and accountability as well as improving government decision making.

The Financial Management Information System (FMIS) continues to play a key role in improving financial management processes and procedures. A long term TA has been recently engaged to further development and upgrade the FMIS system. Work is currently in progress to include new modules and add new functionality to the system which will significantly improve financial reporting, monitoring purposes and accountability. Capacity building is a high priority as it is integral to the sustainability and continuity of the progress that are currently being made. Therefore building local capability is also currently ongoing in the Department of Finance to ensure sustainability.

The Development of a coherent planning process for Nauru's economic and social development is still vital to the Government. Annual Operational plans are reported on twice a year it is the only mechanism for monitoring. However it has been noted by the last PMAG mission that the process needs to be strengthened. It is the focus of the Planning and Aid Division to strengthen reporting by working more closely with line ministries as well as building the necessary frameworks that should be institutionalized in our systems. It is the intention of PAD to advance these issues however human resource constraints have been a major factor. It is only in this financial year that all of the positions in PAD have been filled, therefore it is expected that planned activities can now be progressed. The last PMAG mission commented that new recruit will need more training and experience to be more effective in the respective roles. As part of the Compact agreement staffs have been placed in work attachments in Samoa to learn from Samoa's reform successes. The main purpose of the attachment is to study and draw from the experiences, compare relevancy and where possible incorporate initiatives into government processes. More emphasis needs to be placed on the purpose and advantages of reporting as well as the need to re-educate line ministries in its formulation. The NSDS review has been postponed later to strategically

coincide with the finalization of the Sustainable Development Goals. A key thrust of the review update will be to operationalize the NSDS making it simpler and more pragmatic. Furthermore it is anticipated that the Deputy Secretary Planning will be recruited in the next financial year to lead the review. DFAT has offered technical assistance for this review.

On the revenue/customs front, Deputy Secretary Revenue is now in place with the tax adviser and recruitment has been initiated for an NCRO accountant and two revenue officers have been initiated. With the support of PFTAC, the Revenue department will develop and implement the required legislative framework, together with systems and processes, to enable efficient administration of the tax laws. As part of Phase I of tax reform, new tax legislation became effective from 1 October, 2014. Revenue is also liaising with the Fiji Revenue and Customs Authority for the provision of a “cut down” version of their PAYE system. The new Deputy Secretary for Customs with the support of OCO will develop and implement plans to modernize customs and tariff legislation; updating harmonized customs and valuation standards; installation of equipment for data management; and undertake capacity development and training of staff. Nauru Customs is now in discussion with NZ Statistics in donation of a customs specific database to support automated systems. These systems and current reforms adopted will let Nauru Customs be in par with modern customs business practices that are benchmarked to international standards.

The continuation of the micro financing project has had some delays due some changes to the scope of the project and also due to the recent government payout, which has shifted the focus and interest of locals. This has caused the project to stall nonetheless as of date Four proposals have been received and vetted and are in the process of being approved. The strategic objective of this project is to build and strengthen the entrepreneurial capacity of Nauru to engage in group or individual enterprises that will provide a sustainable livelihood to the currently unemployed or underemployed. This project is currently supported by Republic of China Taiwan.

Fisheries

Achievement of the short term milestone in the Fishery sector has delayed due to a number of setbacks and challenges. The key strategies for the Fisheries Authority are divided against four categories. In the Coastal one of the major highlights is the completion of the Fish Market which is funded by Japan. However the official handover of operations to the community has not eventuated as Fisheries is still in consultation with the association. Furthermore the 1st batch of Twelve (12) outboard motors orders will be received and distributed to local fisherman soon. The construction of the aquaculture holding facility has been delayed due to shipment of materials, significant changes to the plumbing system, land issues and other unforeseen circumstances which have further pushed back the completion date for the project. However to date 90% of the aquaculture has been completed and it is anticipated that all delayed planned milkfish farming activities will be recommencing soon.

On the Oceanic side Nauru continues to play a key role in its participation at PNA meetings. Revenue from fishing access agreements continue to be maximized in the US currency. Nauru's allocated PAE continue to be sold out every year since its adoption in 2012. Furthermore capacity building has been provided and supported by various regional and international agencies to improve national capacity in monitoring purse seine fishery and other commercial fisheries within Nauru's EEZ.

One of the major infrastructures for Fisheries is the new consolidated office buildings and a new laboratory which was only completed this year. However more work needs to be done

in terms of communication network lines, which is integral to the operations of the authority. Little progress is made of the corporate plan as this is only partly implemented and is still pending. A review of the corporate plan is planned later this year. There is a need to update the Fisheries Act however progress has been slow as this is dependent on the FFA Legal Adviser.

There has been some headway made in the Agriculture sector. Republic of China Taiwan continues to support agriculture endeavours. Local produce from ROC Taiwan farms are currently used to supply the school feeding program promoting healthier food for Nauruan children. Furthermore FAO is currently strengthening household capacity for integrated agro-forestry and food crops production and utilisation. This is a 2 years project which is currently being implemented in collaboration with CIE – Department of Agriculture. This project will contribute to achieving the agriculture sector goal to increase the level of domestic agricultural production. The key outcome of this project will be improved food and nutrition security through increased household production and utilisation of fruits, vegetables, food crops and multipurpose tree species in Nauru.

Infrastructure Sector

Infrastructure has been experiencing an upsurge in construction projects/housing restoration activities this financial year. This is evident through the newly erected District Community Halls and new housing. The growing economy is a key factor however the critical redevelopment of key asset infrastructures such as Ports and Government Hospital is yet to commence.

Nauru Utilities Corporation has seen relative improvements in FY14-15. The implementation of the Electric Sustainability Supply Project commenced April 2015. The scope of this project will see the full restoration of the existing roofing and a procurement of a new 3mw Generator. This project is co-funded by ADB and EU. Australia has agreed to secure a 2nd Generator and an 11kv bus for this project. The procurement of two new 3Mw generators will improve reliability and supply of power to the public. Their distribution network is continually being maintained and progressed. NUC recently upgraded some of the existing power poles, transformers and other key structures that were deteriorating and causing inefficiencies in the power distribution network. Over the past years NUC was able to gradually upgrade and renovate these key infrastructures through the assistance of various donors primarily Australia, European Union, Asian Development Bank and the regional CROP agencies

Water

Key development project activities include construction of RO shed, refurbishment of existing RO units to increase production and improving water security and storage. The design and construction of a new RO shed is currently ongoing. Procurement 2 new water trucks (10,000L) are essential if NUC is to support larger commercial and non-commercial demands. A Water Master Plan funded by ADB is in initial discussion stage. Consistent issues are lack of regular maintenance of RO Units and securing funding for proposed projects.

The Government of Japan will provide additional 8 solar water pump systems as well as 6,000 litres Poly water tanks to the communities. This will enable the communities to access the underground water as an alternate source to potable water. These activities will contribute to improved water storage capacity and infrastructure.

Petrol

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. The Government of Nauru (GoN) is in the process of has been developing an Energy Road Map (ERM) 2014-2020 to provide reliable, affordable, secure and sustainable energy supply to meet the socio-economic development needs of Nauru's Energy requirements. . There are two clear immediate benefits to Nauru arising from these new fuel arrangements with Vital. Firstly, there will be a secured and reliable supply of fuel to Nauru. Secondly, Nauru will stand to benefit from any decline in the international prices of oil as a result of having a strategic longer-term bulk fuel purchasing arrangement coupled with efficient operation of the tank farm that ultimately will filter down to lower prices at the local bowser stations that will benefit all Nauruan's. 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

Ports is very critical for Nauru as nearly all of its necessary commodities such as food petrol are imported. Ronphos also rely on it for shipments of its phosphate. The existing Port facilities present a number of challenges for safe, reliable and efficient operation.. ADB, Australia and JICA have in the past years conducted several preliminary investigations and studies towards redevelopment of the Port. Although this project s still in its early phase, it will take clearer of course of direction in the upcoming months.

A Board of Director has been included in the Ports Act in hopes they will provide much needed assistance to the Harbour Master towards improving Ports Operations. Furthermore the recruitment of a Ports Advisor and Ports Manager will see improvement in daily operations of the Ports as well as revamping of its mooring facilities.

Land Transport

Land Transport will continue improvements on road network throughout Nauru and road maintenance. They have initiated plans to hire a consultant to assess conditions of road. Most public works on roads have now been outsourced to Eigigu Holdings Corporation

DCA

Aviation will focus on upgrading its systems as well as building capacity of its staff. Nauru Airlines has increased its fleet of planes and will continuously work with the DCA to improving the Airport facilities. DCA have instigated plans to further develop a Civil Aviation Plan and also to introduce a specialist to assist with DCA. These will go towards developing the management and operations of DCA. They have not specified indicative dates or details for TA.

ICT

ICT Complex Centre was recently opened in May 2015, this facility will see the centralisation of Government ICT services and enable effective and efficient IT services and support requirements. ICT is also in development of a Corporate Plan, to be funded by Australia. TA will to assist with the development of this plan.