



REPUBLIC OF NAURU

DEPARTMENT OF FINANCE

2020-21 FISCAL STRATEGY

Nauru's fiscal strategy is documented in the 2020-21 Budget.

The Government is committed to public financial management reform to support the efficient and effective allocation of public money. A key component is the need for macro-economic stability and responsible fiscal management. Accordingly, Nauru considers its annual budget settings in a medium-term context that takes account of key fiscal risks.

Nauru's medium-term outlook is highly uncertain, given its dependency on the future of the Regional Processing centre (RPC). Current agreements between Nauru and Australia are short term, which makes future planning difficult. To support managing these risks, Nauru frames its annual budget to achieve:

- Macro-economic stability – ensuring an orderly adjustment process, with realistic estimates of expected revenue and expenditure that are adjusted through the year as better information becomes available, with expenditure reflecting Government policy priorities
- Progress against National Sustainable Development Strategy goals
- Prioritised investment in infrastructure, linked to the priorities identified in the Nauru Integrated Infrastructure Strategic Plan
- Improved efficiency and effectiveness in SOE operations
- Value for money expenditure.

Nauru's medium-term fiscal strategy is to maintain macro-economic stability through responsible budget management by achievement of:

- Three Fiscal responsibility ratios
 - Budget balance must be positive as a share of GDP – that is, the budget must be in surplus
 - Personnel as a proportion of current expenditure must be below 30 per cent
 - Fiscal cash buffer of two months non-RPC expenditure
- Contributions to the Nauru Intergenerational Trust Fund
 - At least 10.1 per cent of adjusted revenue
- Resolution and management of debt liabilities to improve debt sustainability
- Infrastructure investment consistent with NIISP
- Improved SOE performance
- Sustainable government operations.