

## **2019-2020 BUDGET PERFORMANCE MINISTERIAL STATEMENT**

**Hon. Martin Hunt, MP  
22 October, 2020**

Mr Speaker,

I seek leave to table reports related to 2019-20 Budget performance:

- 2019-20 Final Budget Outcome, providing actual revenue and expenditure of the Treasury Fund in 2019-20
- Inter-Sub-Head Transfer report for 2019-20
- Report on the use of the Contingency Fund for 2019-20, and
- Report of the Government Loans Fund for 2019-20.

Mr Speaker,

I would now like to make a statement related to 2019-20 Budget performance.

- The final budget outcome for 2019-20 was a surplus of \$27.4 million, equivalent to 17 per cent of Nauru's Gross Domestic Product. This surplus will be held as cash reserves to support Nauru's liquidity position.
- Total actual revenue collected was \$269.4 million. This exceeded expectations, reflecting stronger than expected revenue from fisheries licences and all Regional Processing Centre (RPC) related revenue streams.
- Total actual expenditure was \$242.0 million, marginally below what was expected.

The final outcome was significantly better than was expected at budget time in June 2020, as the expected deterioration in economic conditions as a result of the COVID-19 pandemic did not materialise.

The strong revenue collection has led to an increase in the required 2020-21 Nauru Intergenerational Trust Fund contribution to \$23.8 million. A prepayment of \$6.7 million was made in 2019-20, leaving a total payment of \$17.1 million in 2020-21.

Through the year, Departments are able to re-allocate their budgets within their appropriation limit through Inter Sub-Head Transfers (ISHTs).

ISHT reallocations accounted for 7 per cent of total budgeted expenditure in 2019-20. Nearly half the total annual number of ISHTs were approved by Cabinet in the final three months of the financial year.

The Government's total financial support for the COVID-19 response in 2019-20 was \$13.4 million, equivalent to 8 per cent of GDP.

The COVID-19 Taskforce was responsible for 40 per cent of this expenditure (or \$5.4 million). Funds were used to support health preparedness (such as the purchase of testing equipment, medical supplies and PPE), quarantine, repatriation, freight and taskforce costs. In addition, building works were undertaken at the hospital and at quarantine facilities.

Taskforce costs were met by a mix of \$3.2 million from the Contingency fund, \$0.4 million from Health and \$1.8 million from donors, including contributions from the Asian Development Bank, New Zealand, Australia, Republic of China Taiwan and Japan.

The Government would like to thank these donors for their generous and ongoing contribution to support the Government's response to Coronavirus.

As part of the COVID-19 response, the Government also paid Nauru Airlines \$5.1 million to ensure that there were regular air freight and passenger services to and from Nauru, funded from a re-prioritisation of existing expenditure provisions.

Funds previously set aside for a public service pay rise were used to pay a COVID-19 ex gratia payment, to government employees, pensioners (social benefits) and SOE staff (subsidies), a total of \$2.9 million.

The overall impact on Nauru of the Coronavirus pandemic has been less than originally expected.

Nauru has been very fortunate to not have a COVID-19 case, and to be insulated from the down-turn in tourism and trade that has affected many of our neighbours.

The International Monetary Fund (IMF) has acknowledged Nauru's success in deploying containment efforts rapidly and comprehensively, averting an outbreak of COVID-19. This success, together with the size of the public sector as a source of aggregate demand and employment, has led to the IMF upgrading its growth forecast for Nauru.

Instead of a contraction in 2020, the IMF now expects the economy to expand by 0.7 per cent year on year, a two percentage point turnaround on the April projection.

This makes Nauru one of very few countries in the world projected to see growth in 2020.

Notwithstanding this, as a small island nation, Nauru is limited in the resources available to it and the economic outlook continues to be uncertain.

Significant fiscal risks remain. The future of the RPC has not been confirmed beyond December 2020. The duration of the COVID-19 is also not clear.

The Government will continue to monitor economic conditions closely, and remains committed to sound and prudent economic management to support the long term prosperity of Nauru.