



# REPUBLIC OF NAURU

## DEPARTMENT OF FINANCE

# 2021-22 FISCAL STRATEGY

Nauru's fiscal strategy is documented in the 2021-22 Budget.

The Government is committed to responsible public financial management 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, and the fiscal policy environment has become very challenging as revenue levels continue to decline due to uncertainties with future arrangements for the Regional Processing Centre (RPC) beyond the current contract extension to 31 December 2021.

The budget targets for the new financial year aim to sustain the current economic growth level and manage fiscal risks prudently. The 2021-22 Budget aims to achieve following outcomes:

- 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 (NIISP)
- Improved efficiency and effectiveness in SOE operations
- Sustainability of government services.

In particular, consistent with the medium term fiscal strategy, the 2021-22 Budget will maintain macro-economic stability through responsible budget management by the 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
  - Liquidity cash buffer of two months non-RPC expenditure
- Contributions to the Nauru Intergenerational Trust Fund, of at least 10.1 per cent of adjusted prior year revenue
- Infrastructure investment consistent with NIISP
- Sound debt management
- Improved SOE performance
- Sustainable government operations
- Compliance with donor commitments.