



REPUBLIC OF NAURU

DEPARTMENT OF FINANCE

QUARTERLY BUDGET PERFORMANCE REPORT
QUARTER 1 2021-22

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Treasury Division
Department of Finance

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QUARTERLY BUDGET PERFORMANCE REPORT – QUARTER 1 2021-22

INTRODUCTION

This is the performance report for the first quarter of the 2021-22 Budget year for the Republic of Nauru. It provides revenue and expenditure data recorded by Treasury for the period 1 July 2021 to 30 September 2021. It is based on all available information to Treasury as at 12 October 2021.

- In aggregate, actual year to date performance is in line with expectations, with 34 per cent of total expected annual revenue collected and 23 per cent of total expenditure spent to 30 September 2021.
- This reflects the seasonal nature of revenue collections, and the timing of lumpy one-off expenditure payments.

This report covers General Government operations. It does not include donor expenditures nor the operations of State-owned enterprises (SoE's), except where transfers from the Government have been made to donor projects or as subsidies/loans to SoE's. It includes receipts from direct budget support donor funding.

In line with requirements of Policy Reform Deliverables agreed between GON and Asian Development Bank (ADB), the Q1 report also contains the Republic of Nauru Debt Status as at 30 June 2021. All figures are in Australian dollars.

OVERVIEW

MACROECONOMIC ASSUMPTIONS

The macro-economic assumptions for Nauru have been upgraded moderately following publication of the International Monetary Fund (IMF) World Economic Outlook in April 2021.

Item	2019-20	2020-21	2021-22
Real GDP Growth (per cent change)	0.7	1.6	0.9
Nominal GDP (\$A million)	171	179	185
Consumer prices (period average, per cent change)	0.9	1.2	2.0

The IMF has acknowledged Nauru's success in its robust response to the containment efforts and in doing so efficiently averting an outbreak of COVID-19. Public spending mostly in improving infrastructure, subsidies and donations to SOEs and ensuring public sector operates smoothly during a challenging year has resulted in IMF moderating Nauru growth projections.

With a slight reduction in economic activity anticipated in the short-term as a result of winding down of RPC by year end, the IMF anticipates Gross Domestic Product (GDP) for 2021-22 to grow by 0.9 percent year on year, 7 basis point less than previous year growth. The inflation outlook has

strengthened to 2 per cent due to inflationary pressures as global conditions stabilised after Covid-19. The nominal GDP estimate for 2021-22 is now \$185 million.

SUPPLEMENTARY APPROPRIATIONS

There was one supplementary appropriation in the quarter, to recognise the Government’s decision to support Overseas medical referrals, construction of a Government building project amongst other things not accounted for within the 2021-22 Budget.

- Supplementary Appropriation Bill (No.1) 2021-22 recognised additional Government revenue of \$32.1 million, and \$32.1 million in expenditure was appropriated for 2021-22, with a surplus balance of \$27 thousand.

2020-21 FINAL BUDGET OUTCOME

The final budget outcome for 2020-21 was a deficit of \$14 million, equivalent to 8 per cent of Nauru’s GDP. This deficit was due to the Government providing an advance to the Nauru airline when the proposed aircraft loan program was delayed and a lag in reimbursables from RPC related activities.

Total actual revenue collected in 2020-21 was \$265.9 million. This was in line with expectations, reflecting improved collections from fisheries licences and all Regional Processing Centre (RPC) related revenue streams.

Total actual expenditure was \$279.8 million, marginally above projections.

FISCAL RESPONSIBILITY RATIOS

The Government has adopted the following fiscal responsibility ratios:

- Fiscal balance to GDP ratio must not be negative – budget must at least be in balance;
- Fiscal cash buffer – cash reserves up to the equivalent of two months non-RPC related expenditure must be available;
- Personnel costs to current expenditure to be less than 30 per cent.

All ratios were met at the end of the quarter, as shown in Table 1 and Table 2.

Table 1: Fiscal responsibility ratio performance Q1 2021-22

Measure	Target	2020-21	2021-22	2021-22	2021-22
		Actual	Approved Budget	Revised Budget	YTD Actual
Fiscal balance to GDP	not negative as % of GDP	-8%	0.02%	0.04%	17%
Personnel cost ratio	Personnel cost to current expenditure <30%	14.0%	17%	17%	13%

The IMF recommends that Nauru hold a cash buffer of two-months current Government expenditure to manage liquidity risks. The buffer target is calculated by taking total budgeted expenditure less RPC expenditure and non-expense items. The level of the buffer changes when the expenditure estimates are updated, usually after a supplementary appropriation. The most recent balances are shown in Table 2.

Government liquidity has continued to improve and is now in a sound position. The cash buffer accounts hold more than the minimum two months of adjusted expenditure. More detail on cash balances is shown in Figure 4.

Table 2: GON Liquidity and fiscal cash buffer Q1 2021-22

	Requirement (\$)	TOTAL FUNDS (\$)	
		As at 1 July 2021	As at 30 Sept 2021
Cash Buffer at 1 July 2021	34,196,534	102,215,345	
Cash Buffer 30 Sept 2021	33,648,256		151,163,056
<i>of which held in cash buffer accounts</i>		40,070,267	40,078,352

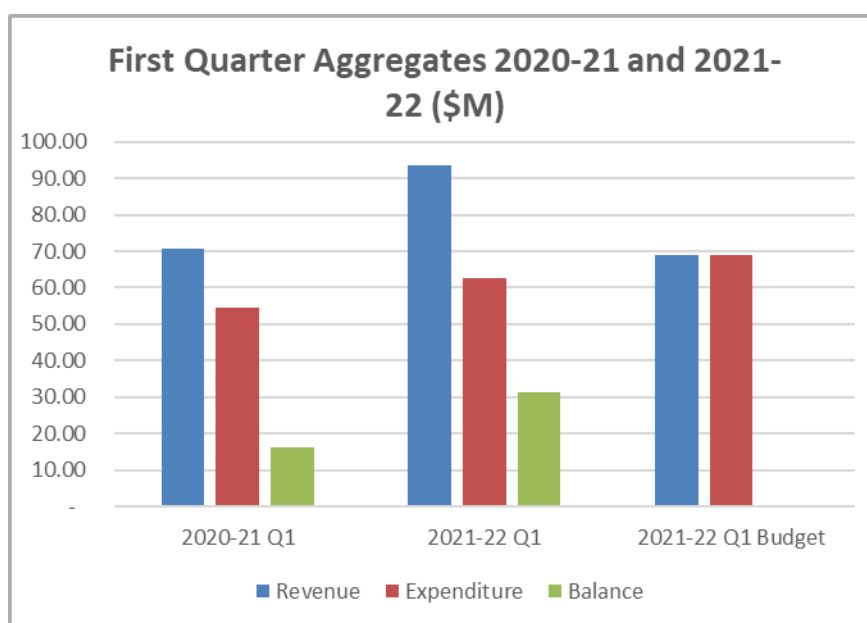
BUDGET AGGREGATES

The budget aggregates for the first quarter are shown in Table 3 and Figure 1. Performance has been in line with expectations. Both revenue and expenditure were higher in the first quarter 2021-22 than the same period last year. This reflects growth in revenue as hosting fee proceeds were credited into the Treasury operating account and government immediately commenced with financing of infrastructure and housing development as the new financial year kicks in. Aggregate actual expenditure and revenue collections were both higher than budget. This reflects the seasonal nature of revenue collections, and the timing of lumpy one-off expenditure payments.

Table 3 Aggregate results Q1 2021-22

Description	2020-21	2021-22		2021-22	2021-22	2021-22	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bill 1	Revised Budget	Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	%	\$
Revenue	265,881,556	244,123,361	32,133,332	276,256,693	93,685,890	34%	182,570,803
Expenditure	279,837,164	244,023,361	32,106,784	276,130,145	62,488,467	23%	213,641,678
Balance	- 13,955,608	100,000	26,548	126,548	31,197,423		31,070,874

Figure 1 Budget aggregate results for the first quarter 2020-21 and 2021-22 (\$ million)



OPERATING REVENUE ANALYSIS

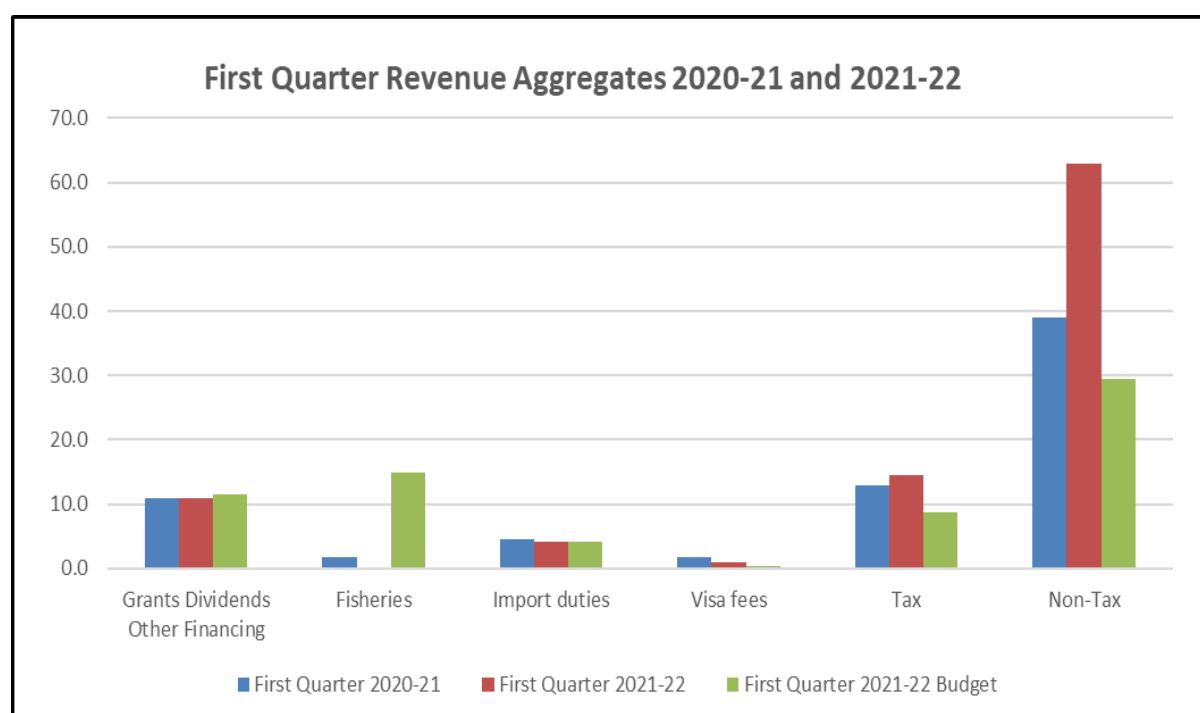
Actual revenues for the quarter are summarised in Table 4. Revenues are highly seasonal, with most revenue collected particularly Fishing anticipated during the second quarter. The strong dividend performance reflects return of balance of the RPC transition funds from Commercial and Services Account following completion of the transition phase. Other dividends received during quarter were from Digicel. Non-tax revenue collections reflect the payment of five months of hosting fees related to RPC.

Table 4: Revenue breakdown Q1 2021-22

Revenue Description	2020-21	2021-22	2021-22	2021-22	2021-22	Share of total revenue %	2021-22	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	Revised Budget	Actual		Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$		%	\$
Grants Dividends Other Financing	27,995,249	34,931,567	11,000,000	45,931,567	15,000,000	16%	33%	30,931,567
Fisheries	59,797,774	59,900,000	-	59,900,000	240,333	0%	0%	59,659,667
Import duties	19,580,224	16,512,175	-	16,512,175	4,082,472	4%	25%	12,429,703
Visa fees	5,776,518	1,544,776	-	1,544,776	1,037,960	1%	67%	506,816
Tax	66,772,183	34,600,000	-	34,600,000	14,409,785	15%	42%	20,190,215
Non-Tax	85,958,109	96,634,843	21,133,332	117,768,175	58,915,339	63%	50%	58,852,836
Total Revenue	265,880,056	244,123,361	32,133,332	276,256,693	93,685,890	100%	34%	182,570,803

Revenue collections in the first quarter of 2021-22 were stronger than the same period last year, and ahead of budget in all categories except fisheries, import duties and visa fees. The \$15 million collections in the Grants, Dividends and Other Financing category represents drawdown of dividend funds from the Commercial and Operations Accounts and relates to the balance of funds from RPC transition along with balance of ESC operations on island. The balance of \$31 million in this category is largely Fisheries licence revenue which is very seasonal, with licences for 2022 expected to be finalised in December. Visa fee revenue is lower than the same time last year, but generally consistent with budget. This reflects lower numbers of refugees and asylum seekers on Nauru as the RPC winds down towards enduring capability.

Figure 2 Revenue collections for Q1 2020-21 and 2021-22



The RPC remains major source of economic activity and revenue for the government, as illustrated in Table 5. The 2021-22 Budget estimates assume only six months of revenue for these lines. All these revenues are at risk as the RPC winds down towards an enduring capability, and will increase significantly if RPC arrangements are extended beyond December 2021.

Table 5: RPC Related Revenues Q1 2021-22

Revenue Description	2020-21	2021-22		2021-22	2021-22 YTD		2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	Revised Budget	2021-22 YTD Actual	Actuals against Budget	Remaining Budget
	\$	\$	\$	\$	\$	%	\$
1335 - Visa Fees - RPC	978,000	0	0	0	81,000		-81,000
1580 - Visa Fees - RPC Resettlement	3,000,000	0	0	0	492,000		-492,000
1475 - Miscellaneous Revenue	6,382,789	272,840	0	272,840	183,911	67%	88,929
1495 - Service Fees	20,024,359	10,046,902	0	10,046,902	3,506,736	35%	6,540,166
1577 - DJBC - Operations	3,384,174	2,289,963	0	2,289,963	787,521	34%	1,502,442
1578 - DJBC - Reimbursable Costs	16,371,079	16,587,342	0	16,587,342	655,021	4%	15,932,321
1598 - Hosting Fee	36,983,331	63,566,666	21,133,332	84,699,998	52,833,330	62%	31,866,668
1590 - Employment Services Tax	19,481,155	10,200,000	0	10,200,000	4,267,070	42%	5,932,930
1591 - Business Profit Tax	43,950,090	21,900,000	0	21,900,000	9,439,437	43%	12,460,563
1015 - Income from Investments & Dividends-Others	6,721,656	6,412,143	11,000,000	17,412,143	15,000,000	86%	2,412,143
Total RPC related revenue	157,276,633	131,275,856	32,133,332	163,409,188	87,246,025	53%	76,163,163
Share of total revenue	59%	54%	100%	59%	93%		28%

FISHING REVENUES

Fishing revenue collections are highly seasonal, with the majority of revenue being anticipated to flow in during second quarter (Table 6). Government is confident to recover bulk of fisheries revenues by December 2021.

Table 6: Fishing revenues Q1 2021-22

Description	2020-21	2021-22		2021-22	2021-22 YTD		2021-22
	Preliminary Actual	Revised Budget	2021-22 YTD Actual	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	%	\$
1055 - Support Vessel Charges	426,855	400,000	-	400,000	0	0%	400,000
1071 - Purse Seine Revenue - Licensing	1,393,798	1,500,000	-	1,500,000	18,458	1%	1,481,542
1072 - Purse Seine Revenue - Fishing Days	57,977,121	58,000,000	-	58,000,000	221,876	0%	57,778,124
Total Fisheries Revenue	59,797,774	59,900,000	-	59,900,000	240,333	0%	59,659,667

TAXATION REVENUE

Taxation revenues collections in the first Quarter exceeded budget expectation (Table 7), reflecting improved collection of business profit tax from local traders and the Canstruct quarterly tax payments. Anticipation is that activities will remain at a similar level for the next quarter and this may slow down beyond December 2021 due to the anticipated winding down of RPC. Favourable contract negotiation with Australia will boost taxation revenue for the year.

Table 7: Taxation revenue Q1 2021-22

Description	2020-21	2021-22 Revised	2020-21 Projected	2021-22 YTD	2021-22 YTD Actual as	2021-22 Remaining
	Preliminary Actual	Budget	Actual	Actual	% of Budget	Budget
	\$	\$	\$	\$	%	\$
1190 - Telecom Tax	3,340,938	2,500,000	2,500,000	703,279	28%	1,796,721
1590 - Employment Services Tax	19,481,155	10,200,000	10,200,000	4,267,070	42%	5,932,930
1591 - Business Profit Tax	43,950,090	21,900,000	44,000,000	9,439,437	43%	12,460,563
Total Tax	66,772,183	34,600,000	56,700,000	14,409,785	42%	20,190,215

CUSTOMS AND OTHER IMPORT DUTIES

Customs and excise duty collections were in line with expectations (Table 8). Customs duty on machinery & vehicle, petrol and tobacco surpassed collections in same period last year and this reflects growth in imports of those items as Departments make use of their budget balance in 2020-21 to purchase vehicles and machinery. Duty collections is expected to be better due to the more regular shipping services of the newly acquired cargo vessel MV Micronesian Pride.

Table 8 Customs and other Import duties Q1 2021-22

Description	2020-21	2021-22	2021-22	2021-22	2021-22 YTD	2021-22 YTD	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	%	\$
1140 - Customs and Excise Duty - Tobacco	7,073,041	5,841,236	-	5,841,236	1,409,687	24%	4,431,549
1145 - Customs and Excise Duty - Alcohol	1,956,048	2,040,000	-	2,040,000	135,885	7%	1,904,115
1150 - Customs and Excise Duty - Sugar	1,262,619	1,220,394	-	1,220,394	127,366	10%	1,093,028
1155 - Customs and Excise - Machinery/Vehicle/Equip	1,045,324	830,419	-	830,419	318,812	38%	511,607
1160 - Customs and Excise Duty - Other	2,813,421	2,538,891	-	2,538,891	993,765	39%	1,545,126
1165 - Customs and Excise Duty - Petrol Sales	2,654,280	2,341,235	-	2,341,235	689,018	29%	1,652,217
1170 - Customs and Excise Duty - Diesel Sales	2,775,493	1,700,000	-	1,700,000	407,940	24%	1,292,060
Total Customs and Excise Duty	19,580,224	16,512,175	-	16,512,175	4,082,472	25%	12,429,703

VISA FEES

Total revenue from visa fees is expected to drop in current FY as this is in line with projections due to the reduction in business associated with RPC (see Table 9). For quarter 1, Government has received over 60 percent of the budgeted revenue and this is mostly to do with visa fees for refugees and Construct workers that manage the facility on behalf of RON.

Table 9 Visa fees Q1 2021-22

Description	2020-21	2021-22	2021-22	2021-22	2021-22 YTD	2021-22 YTD	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	%	\$
1330 - Visa Check up	4,116	4,332	-	4,332	40	1%	4,292
1335 - Visa Fees - RPC	978,000	-	-	0	81,000	-	-81,000
1575 - Visa Fees (Other Business)	1,794,402	1,540,444	-	1,540,444	464,920	30%	1,075,524
1580 - Visa Fees - RPC Resettlement	3,000,000	-	-	0	492,000	-	-492,000
Total Visa Fees	5,776,518	1,544,776	0	1,544,776	1,037,960	67%	506,816

OTHER REVENUE – DIVIDENDS AND GRANTS

Income from dividends and investments was 126 percent more than the 2021-22 budget (Table 10). The strong dividend performance reflects two dividend payouts from the Commercial and Services Account relating to ESC surplus and balance of the RPC transition fund. . Government is anticipating finalization of the NAC aircraft loan arrangement to be completed in the next quarter. Republic of China (Taiwan) grant funds will be paid in two equal instalments in November (Q2) and May (Q3).

Table 10 Dividends and Grants Q1 2021-22

Description	2020-21	2021-22	2021-22	2021-22	2021-22 YTD	2021-22 YTD	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	%	\$
1015 - Income from Investments & Dividends-Others	6,721,656	6,412,143	11,000,000	17,412,143	15,000,000	86%	2,412,143
1660 - General Budget Support	21,273,593	12,273,824	-	12,273,824	-	-	12,273,824
1902 - EXIM NAC Loan Proceeds	-	16,245,600	-	16,245,600	-	-	16,245,600
Total Dividends , Grants and Other	27,995,249	34,931,567	11,000,000	45,931,567	15,000,000	33%	30,931,567

NON-TAX REVENUE

Non-tax revenue collections in the year to date are higher than expected (Table 11), mainly reflecting timing issues with the drawdown of hosting fees from the off-budget Commercial Account¹. A total of 10 months of hosting fees that had accrued in 2020-21 were drawn down in September 2021 and reflected in actuals leaving \$32 million balance to be drawn following finalization of the agreed terms of operation with Australia beyond December 2021.

The large influx of motor vehicles onto the island resulted in significant growth in revenue associated with vehicles fees such as licenses - drivers, vehicle insurances and registration fees which is close to 50 percent in quarter 1.

Table 11 Non-tax revenues Q1 2021-22

Description	2020-21	2021-22	2021-22	2021-22	2021-22 YTD	2021-22 YTD	2021-22
	Preliminary Actual	Approved Budget	Supp Bills	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	%	\$
1121 - Curator fees	105,527	-	-	0	20,983	0%	-20,983
1215 - Licenses-Drivers etc	117,198	80,000	-	80,000	32,700	41%	47,300
1220 - Corporation Fees and Licenses	403,725	500,000	-	500,000	30,120	6%	469,880
1225 - Licenses-Trading	311,578	209,683	-	209,683	66,375	32%	143,308
1230 - Liquor Licensing Board	42,200	30,141	-	30,141	2,000	7%	28,141
1235 - Gaming / Bingo Licenses	53,250	50,000	-	50,000	10,000	20%	40,000
1240 - Licenses-Dogs etc	83	73	-	73	0	0%	73
1245 - Drones Licenses	1,500	2,000	-	2,000	0	0%	2,000
1260 - Birth Certificate	13,270	11,389	-	11,389	3,155	28%	8,234
1265 - Death Certificate	870	757	-	757	90	12%	667
1270 - Marriage Certificate	1,700	1,378	-	1,378	505	37%	873
1300 - Registration Fees-Motor Cars	138,979	124,414	-	124,414	54,230	44%	70,184
1305 - Registration Fees-Motorcycles	24,890	23,994	-	23,994	10,955	46%	13,039
1310 - Vehicle/Insurance Fees	383,325	339,226	-	339,226	120,745	36%	218,481
1325 - Passport Fees and Photographs	54,640	50,000	-	50,000	3,000	6%	47,000
1340 - Police Clearance	32,495	45,000	-	45,000	3,300	7%	41,700
1361 - Fuel Levy	0	1,314,384	-	1,314,384	344,300	26%	970,084
1365 - D.C.A.-Departure Taxes	0	-	-	0	0	0%	0
1370 - D.C.A.-Air Navigation Fees	478,904	496,461	-	496,461	21,650	4%	474,811
1375 - D.C.A.-Landing Fees	153,300	161,368	-	161,368	0	0%	161,368
1380 - D.C.A.-Rental Fees	17,806	5,552	-	5,552	8,000	144%	-2,448
1475 - Miscellaneous Revenue	6,382,789	272,840	-	272,840	183,911	67%	88,929
1480 - Bus Services	1,655	900	-	900	560	62%	340
1485 - Quarantine Fees	77,556	80,000	-	80,000	11,140	14%	68,860
1490 - Court Fines and Fees	54,828	52,043	-	52,043	4,240	8%	47,803
1495 - Service Fees	20,024,359	10,046,902	-	10,046,902	3,506,736	35%	6,540,166
1500 - Sale of Maps	7,550	7,052	-	7,052	2,660	38%	4,392
1501 - Sale of Livestock	0	-	-	0	12,114		-12,114
1520 - Food Handler Check up	11,580	11,600	-	11,600	480	4%	11,120
1540 - Advertising Revenue	67,652	64,000	-	64,000	7,788	12%	56,212
1555 - Spectacles,Drugs etc	4,690	5,000	-	5,000	180	4%	4,820
1565 - Medical Services	7,860	8,273	-	8,273	196	2%	8,077
1577 - DJBC - Operations	3,384,174	2,289,963	-	2,289,963	787,521	34%	1,502,442
1578 - DJBC - Reimbursable Costs	16,371,079	16,587,342	-	16,587,342	655,021	4%	15,932,321
1596 - Traffic Infringements	129,160	150,000	-	150,000	27,425	18%	122,575
1597 - TVET Course Fees	29,555	27,538	-	27,538	8,580	31%	18,958
1598 - Hosting Fee	36,983,331	63,566,666	21,133,332	84,699,998	52,833,330	62%	31,866,668
1700 - National/District Roll Sales	3,050	1,010	-	1,010	4,350	431%	-3,340
1705 - Electoral Various Fees	82,000	17,894	-	17,894	137,000	766%	-119,106
Total Non Tax	85,958,109	96,634,843	21,133,332	117,768,175	58,915,339	50%	58,852,836

¹ The Commercial Account is managed pursuant to the provisions in the *Commercial Operations and Services Fund Act 2018*.

REVENUE BY DEPARTMENT

Table 12 shows revenue for the year to date by department head. This funding is not hypothecated to these heads, but rather reflects the revenue classification method used in the financial management information system, where revenues are allocated by function.

Table 12 Revenue by Department Q1 2021-22

Description	2020-21	2021-22	2021-22 Supp Bills	2021-22	2021-22	2021-22	2021-22
	Preliminary Actual \$	Approved Budget \$		Revised Budget \$	2021-22 YTD Actual \$	Actual as % of Budget %	Remaining Budget \$
03 - Chief Secretariat	59,070	43,665	-	43,665	5,960	14%	37,705
09 - Electoral Commission	85,080	19,904	-	19,904	141,350	710%	-
11 - Finance Secretariat	761	2,000	-	2,000	-	0%	2,000
12 - Finance -Public Debt	-	16,245,600	-	16,245,600	-	0%	16,245,600
15 - Nauru Revenue Office	66,942,631	34,730,000	-	34,730,000	14,452,485	42%	20,277,515
16 - Finance - Other Payments	25,368,927	16,000,351	-	16,000,351	350,898	2%	15,649,453
17 - Nauru Customs Office (NCO)	19,581,724	16,514,175	-	16,514,175	4,082,472	25%	12,431,703
18 - Nauru Regional Processing Centre (NRPC) Corp	20,001,504	10,000,002	-	10,000,002	3,500,001	35%	6,500,001
21 - CIE	7,100	5,000	-	5,000	4,800	96%	200
31 - Fisheries	60,252,587	59,900,000	-	59,900,000	313,083	1%	59,586,917
41 - Police	176,090	212,640	-	212,640	32,638	15%	180,003
42 - Dept of Multi Cultural Affairs	69,064,584	86,599,971	32,133,332	118,733,303	69,900,871	59%	48,832,432
43 - Justice - Secretariat	822,043	709,756	-	709,756	117,738	17%	592,018
44 - Judiciary	54,828	52,043	-	52,043	4,240	8%	47,803
45 - Border Control	1,926,598	1,670,444	-	1,670,444	479,060	29%	1,191,384
46 - Correctional Services	2,100	-	-	-	12,114	0%	-
50 - Directorate of TVET	37,105	34,738	-	34,738	8,580	25%	26,158
61 - Health	96,975	59,205	-	59,205	20,322	34%	38,883
62 - Sports	-	-	-	-	1,000	0%	-
81 - Home Affairs	-	-	-	-	-	0%	-
83 - Media Bureau	67,912	64,000	-	64,000	7,788	12%	56,212
84 - Lands & Survey	7,550	7,052	-	7,052	2,660	38%	4,392
85 - Lands Committee	24,355	16,900	-	16,900	6,735	40%	10,165
91 - Department of Transport	1,291,693	1,231,915	-	1,231,915	239,745	19%	992,170
93 - Maritime Transport	-	-	-	-	-	0%	-
95 - ICT	10,340	4,000	-	4,000	1,350	34%	2,650
Total Revenue	265,881,556	244,123,361	32,133,332	276,256,693	93,685,890	34%	182,570,803

OPERATING EXPENDITURE ANALYSIS

Total expenditure for the year to date to the end of the first quarter is shown in Table 13. Six (6) departments pursued Inter-subhead transfers during the quarter to reallocated funds between subheads. Total ISHTs was around \$0.5 million or 0.17 percent of the total approved budget or 0.74 percent of the total spending for the quarter. .

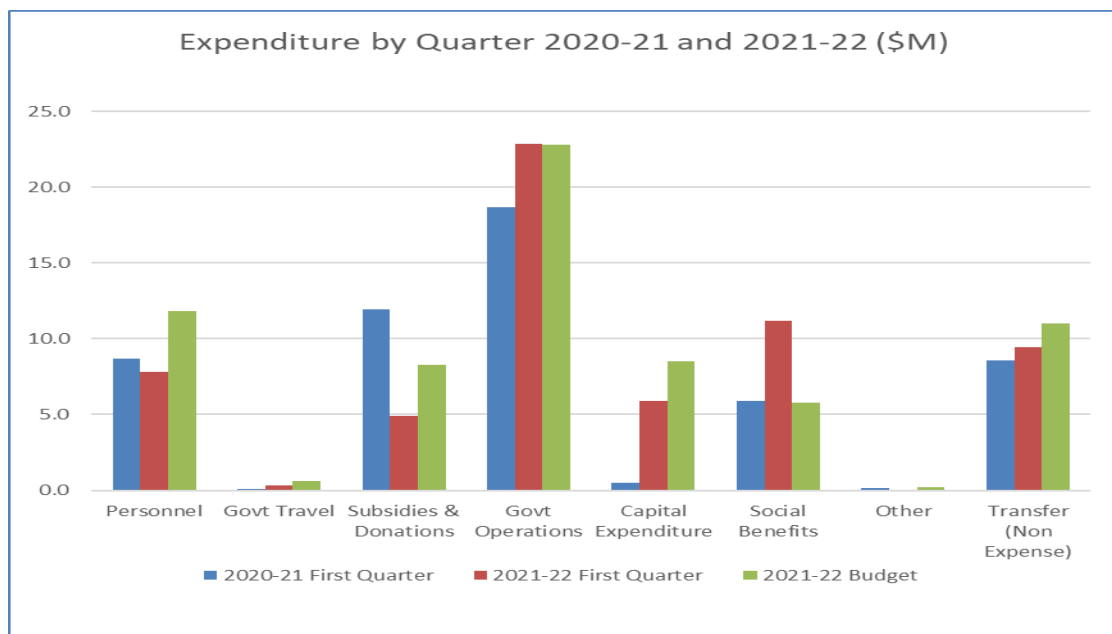
Table 13 Expenditure by Group Q1 2021-22

Description	2020-21	2021-22		2021-22		2021-22		2021-22	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	2021-22 ISHT	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget	
	\$	\$	\$	\$	\$	\$	%	\$	
Personnel	39,173,860	47,322,792	430,149	-382,479	47,370,462	7,831,785	17%	39,538,678	
Govt Travel	1,206,175	1,515,664	988,200	21,650	2,525,514	335,699	13%	2,189,815	
Subsidies & Donations	52,943,008	32,249,456	807,430	0	33,056,886	4,890,432	15%	28,166,454	
Govt Operations	89,504,634	86,185,399	4,934,246	155,570	91,275,215	22,851,187	25%	68,424,027	
Capital Expenditure	24,325,801	18,864,399	14,991,780	205,259	34,061,438	5,881,456	17%	28,179,982	
Social Benefits	23,435,567	18,154,615	4,945,000	0	23,099,615	11,197,796	48%	11,901,819	
Other	480,797	727,034	0	0	727,034	55,466	8%	671,568	
Transfer (Non Expense)	48,767,322	39,004,002	5,009,979	0	44,013,981	9,444,646	21%	34,569,335	
Total Expenditure	279,837,164	244,023,361	32,106,784	0	276,130,145	62,488,467	23%	213,641,678	

Figure 3 compares first quarter expenditure against the same period last year and the 2020-21 Budget. Actual expenditure is higher than the same period last year, in most categories except personnel and subsidies and donations.

Actual expenditure is less than budget in all categories except social benefits (Nauru Community Housing), and Government operations (OMR and medical PPE). This reflects the government’s social obligation to provide affordable housing and improve health care for its people.

Figure 3 Expenditure by group, Q1 2021-22



PERSONNEL COSTS

Expenditure on personnel was as expected in the quarter (Table 14). High expenditure on Salary Local and Salary expatriates was due to Cabinet's decision to undertake an advance 3-days' pay as part of transition to the new pay cycle. Notable for the Quarter is spending on uniforms, in part reflecting purchases ahead of Public Service Day in September, and Protective clothing for border officials. Higher than budgeted expenditure is staff training as this reflects civil servants on full time studies.

Table 14 Personnel Expenditure Q1 2021-22

Description	2020-21	2021-22	2021-22		2021-22	2021-22	2021-22 YTD	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	2021-22 ISHT	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	\$	%	\$
2005 - Salaries & Allowances - (MP's)	1,236,654	1,260,698	0	0	1,260,698	150,192	12%	1,110,506
2010 - HE Salary & Allowances	100,532	105,034	0	0	105,034	15,389	15%	89,645
2015 - Salary - Local	24,911,992	27,190,580	429,849	0	27,620,429	4,062,112	15%	23,558,317
2020 - Salary Expatriate	7,450,921	9,216,636	0	-200,000	9,016,636	1,279,125	14%	7,737,511
2025 - Allowances - Staff Contract	1,437,640	2,417,907	0	0	2,417,907	457,896	19%	1,960,011
2026 - Directors Fees	25,250	50,600	0	0	50,600	4,950	10%	45,650
2031 - Staff Contract - Ministerial	50,577	520,968	0	0	520,968	50,000	10%	470,968
2035 - Overtime - local	766,565	873,976	0	0	873,976	300,121	34%	573,855
2040 - Staff Training	730,950	1,755,898	0	-162,829	1,593,069	305,988	19%	1,287,081
2041 - Prep & Orientation of Seasonal Workers	0	10,000	0	0	10,000	9,000	90%	1,000
2045 - Recruitment	4,859	16,000	0	0	16,000	2,443	15%	13,557
2050 - Uniforms & Protective Clothing	351,625	486,089	300	2,000	488,389	145,412	30%	342,977
2072 - Meals and Drinks - Staff	286,408	285,490	0	-21,650	263,840	55,476	21%	208,364
2651 - GON Contributions	1,819,887	3,132,916	0	0	3,132,916	993,680	32%	2,139,236
Total Personnel	39,173,860	47,322,792	430,149	-382,479	47,370,462	7,831,785	17%	39,538,678

GOVERNMENT TRAVEL

Travel restrictions and border closures due to COVID-19 were major factors contributing to lower expenditure on Government Travel (Table 15). This is likely to continue for the whole year.

Table 15 Government Travel Expenditure Q1 2021-22

Description	2020-21	2021-22	2021-22		2021-22	2021-22	2021-22 YTD	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	2021-22 ISHT	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	\$	%	\$
2070 - Travel - Staff	360,446	797,704	200	0	797,904	25,853	3%	772,051
2075 - Travel - Business	845,729	717,960	988,000	21,650	1,727,610	309,846	18%	1,417,764
Total Government Travel	1,206,175	1,515,664	988,200	21,650	2,525,514	335,699	13%	2,189,815

SUBSIDIES & DONATIONS

Expenditure on Subsidies & Donations was well within budget during the quarter (Table 16). Key payments made during the quarter were for subsidy grants to SOEs, as well as, CSO payments to Nauru Airlines, Nauru Maritime and Port Authority and Tug boat hire for safe loading and unloading of vessels. Local donations were slightly more than budget and this is mainly due to Nauru community housing and infrastructure projects.

Table 16 Subsidies & Donations Expenditure Q1 2021-22

Description	2020-21	2021-22			2021-22	2021-22	2021-22 YTD	2021-22
	Preliminary	Approved			Revised	2021-22	Actual as %	Remaining
	Actual	Budget			Budget	YTD Actual	of Budget	Budget
	\$	\$			\$	\$	%	\$
2376 - Equity Purchases	13,191,700	16,245,600	0	0	16,245,600	0	0%	16,245,600
2615 - Other Subsidies & Donations	0	0	0	0	0	0		0
2616 - Subsidies to SoEs	30,784,485	11,967,713	407,430	0	12,375,143	3,663,759	30%	8,711,384
2617 - Donations - local	8,965,045	3,929,000	400,000	0	4,329,000	1,226,673	28%	3,102,327
2618 - Donations - overseas	1,777	107,143	0	0	107,143	0		107,143
Total Subsidies & Donations	52,943,008	32,249,456	807,430	0	33,056,886	4,890,432	15%	28,166,454

CAPITAL EXPENDITURE

Overall capital expenditure was on track as Government moves into full swing by providing a grant to NRC to develop top side for the relocation of residents at Location and the continuation of Government support for the Port projects (Table 17). The COVID-19 Taskforce and Department of Health also engaged in purchasing medical equipment and relevant PPE to support quarantine and medical services to the general public.

Table 17 Capital Expenditure Q1 2021-22

Description	2020-21	2021-22			2021-22	2021-22	2021-22 YTD	2021-22
	Preliminary	Approved	2021-22	2021-22	Revised	2021-22	Actual as %	Remaining
	Actual	Budget	Supp Bills	ISHT	Budget	YTD Actual	of Budget	Budget
	\$	\$	\$	\$	\$	\$	%	\$
2480 - Medical Equipment	622,615	497,250	0	0	497,250	109,071	22%	388,179
2495 - Plant & Equipment Purchases	5,638,836	3,591,852	9,140	205,259	3,806,251	838,906	22%	2,967,345
2496 - Building and Structures	17,766,650	14,293,296	14,982,640	0	29,275,936	4,863,770	17%	24,412,166
2580 - Public Works	297,700	482,000	0	0	482,000	69,709	14%	412,291
Total Capital Expenditure	24,325,801	18,864,399	14,991,780	205,259	34,061,438	5,881,456	17%	28,179,982

SOCIAL BENEFITS

Expenditure on social benefits was inclined more towards provision of housing as expected (Table 18), with outlays on Nauru Community Housing of more than 70 percent used to acquire hardware materials and contractors. Assistance on back to school and other social services were paid in a timely manner.

Table 18 Social Benefits Q1 2021-22

Description	2020-21	2021-22			2021-22	2021-22	2021-22 YTD	2021-22
	Preliminary	Approved	2021-22	2021-22	Revised	2021-22	Actual as %	Remaining
	Actual	Budget	Supp Bills	ISHT	Budget	YTD Actual	of Budget	Budget
	\$	\$	\$	\$	\$	\$	%	\$
2545 - Debt Repayments - Other	9,411,463	9,813,947	5,833,334	0	15,647,281	119,116	1%	15,528,165
2650 - Trust Fund	33,717,652	17,335,764	3,245,467	0	20,581,231	8,289,507	40%	12,291,724
2652 - Fiscal Cash Buffer	0	10,854,291	-5,420,000	0	5,434,291	0	0%	5,434,291
2680 - BON Liquidation- Payment	5,638,207	1,000,000	1,351,178	0	2,351,178	1,036,023	44%	1,315,155
2802 - Loan Expenditure Account	0	0	0	0	0	0	0%	0
Total Non-expense items	48,767,322	39,004,002	5,009,979	0	44,013,981	9,444,646	21%	34,569,335

OTHER

Expenditure in this category is in line with expectations (Table 19). Bank charges relate to telegraphic transfer and account keeping fees paid through the year.

Table 19 Other Q1 2021-22

Description	2020-21	2021-22	2021-22	2021-22	2021-22	2021-22 YTD	2021-22	
	Preliminary Actual	Approved Budget	Supp Bills	ISHT	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining budget
	\$	\$	\$	\$	\$	\$	%	\$
2565 - Insurance	434,325	538,876	0	0	538,876	51,171	0	487,705
2570 - Bank Charges	49,039	64,658	0	0	64,658	4,300	0	60,358
2690 - Foreign exchange gains/losses	-2,567	123,500	0	0	123,500	-5	-0	123,505
Total Other	480,797	727,034	0	0	727,034	55,466	0	671,568

NON-EXPENSE ITEMS

Expenditure in this category was consistent with expectations (Table 20). High actual expenditure on Nauru Trust Fund payments related to the timing of the annual contribution, with 50 per cent paid in September. The aim is to pay Trust Fund contributions as early as possible in the financial year, and Nauru's strong liquidity position enabled the September payment. Bank book holders have been forthcoming to claim for liquidated payments under BON, over 40 percent was released in Quarter 1.

Table 20 Non-expense Items Q1 2021-22

Description	2020-21	2021-22	2021-22	2021-22	2021-22	2021-22 YTD	2021-22	
	Preliminary Actual	Approved Budget	Supp Bills	ISHT	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	\$	%	\$
2545 - Debt Repayments - Other	9,411,463	9,813,947	5,833,334	0	15,647,281	119,116	1%	15,528,165
2650 - Trust Fund	33,717,652	17,335,764	3,245,467	0	20,581,231	8,289,507	40%	12,291,724
2652 - Fiscal Cash Buffer	0	10,854,291	-5,420,000	0	5,434,291	0	0%	5,434,291
2680 - BON Liquidation- Payment	5,638,207	1,000,000	1,351,178	0	2,351,178	1,036,023	44%	1,315,155
2802 - Loan Expenditure Account	0	0	0	0	0	0	0%	0
Total Non-expense items	48,767,322	39,004,002	5,009,979	0	44,013,981	9,444,646	21%	34,569,335

GOVERNMENT OPERATIONS

Overall, expenditure on government operations was consistent with expectations (Table 21). Expenditure on Overseas Medical Referrals, dialysis and various medical supply categories are way ahead of budget. Expenditure for repairs and Maintenance for building, vehicles and medical equipment is currently more than the budget for the quarter.

Table 21 Government Operations Q1 2021-22

Description	2020-21	2021-22	2021-22		2021-22		2021-22 YTD	2021-22
	Preliminary Actual	Approved Budget	2021-22 Supp Bills	2021-22 ISHT	Revised Budget	2021-22 YTD Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	\$	%	\$
2030 - Salaries - Other Contracts	30,863,197	26,877,109	0	-51,050	26,826,059	7,841,218	29%	18,984,841
2055 - Consultants fees	2,204,855	2,156,437	600,000	31,700	2,788,137	452,180	16%	2,335,957
2060 - Legal Fees - External	107,601	537,500	0	0	537,500	10,000	2%	527,500
2100 - Entertainment	1,002,734	1,006,088	0	2,400	1,008,488	243,600	24%	764,888
2105 - Official Celebrations	848,984	767,168	25,000	1,000	793,168	300,298	38%	492,870
2110 - Protocol	6,409	38,000	0	0	38,000	0	0%	38,000
2130 - Printing & Stationery	848,700	1,012,707	0	11,260	1,023,967	153,821	15%	870,146
2132 - TVET Supplies	139,999	140,000	0	0	140,000	7,750	6%	132,250
2135 - Stores	565,423	514,463	0	4,000	518,463	76,906	15%	441,557
2136 - Museum Artefacts	350	4,000	0	0	4,000	0	0%	4,000
2155 - House Rental	10,455,964	11,103,594	44,200	0	11,147,794	1,224,394	11%	9,923,400
2160 - Land Rental	8,581,713	8,593,159	0	0	8,593,159	698,695	8%	7,894,464
2165 - Office Rental	811,656	876,653	185,600	0	1,062,253	205,227	19%	857,025
2185 - R&M - Buildings	1,997,300	1,424,206	0	150,000	1,574,206	660,332	42%	913,875
2190 - R&M - Office Equipment	292,244	258,776	0	0	258,776	34,724	13%	224,052
2191 - R&M Medical Equipment	28,145	50,000	0	0	50,000	45,329	91%	4,671
2195 - R&M - Office Premises	37,653	7,353	0	0	7,353	300	4%	7,053
2200 - R&M - Motor Vehicles	594,756	703,774	0	1,000	704,774	251,132	36%	453,642
2205 - R&M - Plant	1,570,504	2,999,527	0	0	2,999,527	277,264	9%	2,722,263
2210 - R&M - Aerodrome	64,363	60,000	0	0	60,000	0	0%	60,000
2225 - Agricultural Supplies	61,866	61,000	0	0	61,000	5,330	9%	55,670
2230 - Publicity and Awareness	68,676	56,150	0	17,060	73,210	6,741	9%	66,469
2275 - Purchase of Petrol	561,730	673,960	5,200	0	679,160	146,505	22%	532,655
2280 - Purchase of Diesel	725,083	962,452	0	0	962,452	187,900	20%	774,552
2290 - Purchase of Fuel - Other	5,280	10,793	0	0	10,793	2,274	21%	8,519
2315 - Utilities	4,692,055	4,883,688	0	0	4,883,688	1,192,172	24%	3,691,516
2330 - Telephone / Internet	2,383,568	2,823,798	199,246	0	3,023,044	953,826	32%	2,069,218
2350 - Freight	2,240,892	2,291,014	315,000	0	2,606,014	399,167	15%	2,206,847
2370 - Membership Fees & Subscriptions	1,094,234	1,080,257	0	0	1,080,257	148,955	14%	931,303
2372 - Nauru Radio Supplies	16,500	10,300	0	0	10,300	6,600	64%	3,700
2373 - Media TV Supplies	55,301	19,000	0	0	19,000	10,249	54%	8,751
2375 - ICT Supplies	60,372	55,146	0	0	55,146	1,631	3%	53,515
2460 - Medical Expenses	37,193	79,695	6,000	0	85,695	1,335	2%	84,360
2461 - Primary Health Care Services	130,423	259,900	0	0	259,900	60,293	23%	199,607
2462 - NCD Control & Health Promotion	35,032	43,600	0	0	43,600	5,079	12%	38,521
2463 - Environmental Health and Food safety	7,017	10,000	0	0	10,000	6,192	62%	3,808
2464 - Management Monitoring & Evaluation	12,865	30,000	0	0	30,000	0	0%	30,000
2467 - Drugs and Medicines	1,099,571	1,100,000	0	0	1,100,000	611,462	56%	488,538
2468 - Dental Supplies	10,312	50,000	0	0	50,000	0	0%	50,000
2469 - Dialysis Supplies	249,347	350,000	0	0	350,000	338,043	97%	11,957
2471 - Medical Consumable	647,091	600,000	0	0	600,000	154,146	26%	445,854
2472 - Laboratory supplies	247,987	300,000	0	0	300,000	54,197	18%	245,803
2473 - Radiology Supplies	19,986	25,000	0	0	25,000	128	1%	24,872
2474 - Clinical Education Supplies	0	20,000	0	0	20,000	17,035	85%	2,965
2475 - Overseas Medical Treatment	5,348,941	4,000,000	3,500,000	0	7,500,000	4,355,386	58%	3,144,614
2560 - Educational Expenses - Special	119,724	215,694	4,000	0	219,694	11,766	5%	207,927
2575 - Local Transport	1,869,089	1,622,661	50,000	-14,800	1,657,861	471,145	28%	1,186,716
2585 - Rations	3,928,377	3,609,317	0	0	3,609,317	912,852	25%	2,696,465
2590 - Correctional Services Supplies	7,102	8,160	0	0	8,160	0	0%	8,160
2600 - Postage	10,380	20,220	0	0	20,220	1,258	6%	18,962
2605 - Library/Periodicals	0	8,500	0	0	8,500	0	0%	8,500
2610 - Survey Supplies	5,194	1,500	0	3,000	4,500	1,257	28%	3,243
2611 - Children Education Toys and Learning Supp	332,021	710,044	0	0	710,044	266,958	38%	443,085
2620 - Lease & Charter Payments	43,342	57,938	0	0	57,938	9,729	17%	48,209
2625 - Family Court Expenses	3,100	4,800	0	0	4,800	800	17%	4,000
2630 - Safe House	160,826	181,660	0	0	181,660	27,607	15%	154,053
2681 - Prior Year Account Payable (GoN)	1,198,036	0	0	0	0	0	0%	0
2700 - Deportee Revomal	0	20,000	0	0	20,000	0	0%	20,000
2705 - NEAT Scheme	162,250	298,639	0	0	298,639	0	0%	298,639
2998 - COVID 19 Taskforce	831,324	0	0	0	0	0	0%	0
2999 - Contingency fund	0	500,000	0	0	500,000	0	0%	500,000
Total Government Operations	89,504,634	86,185,399	4,934,246	155,570	91,275,215	22,851,187	25%	68,424,027

EXPENDITURE BY DEPARTMENT

Table 22 shows actual expenditure for the year to date by department head. Most departments are on track, except for Ministerial which is significantly ahead of budget – this reflects the purchase of materials and contractors associated with Nauru Community Housing expenditure.

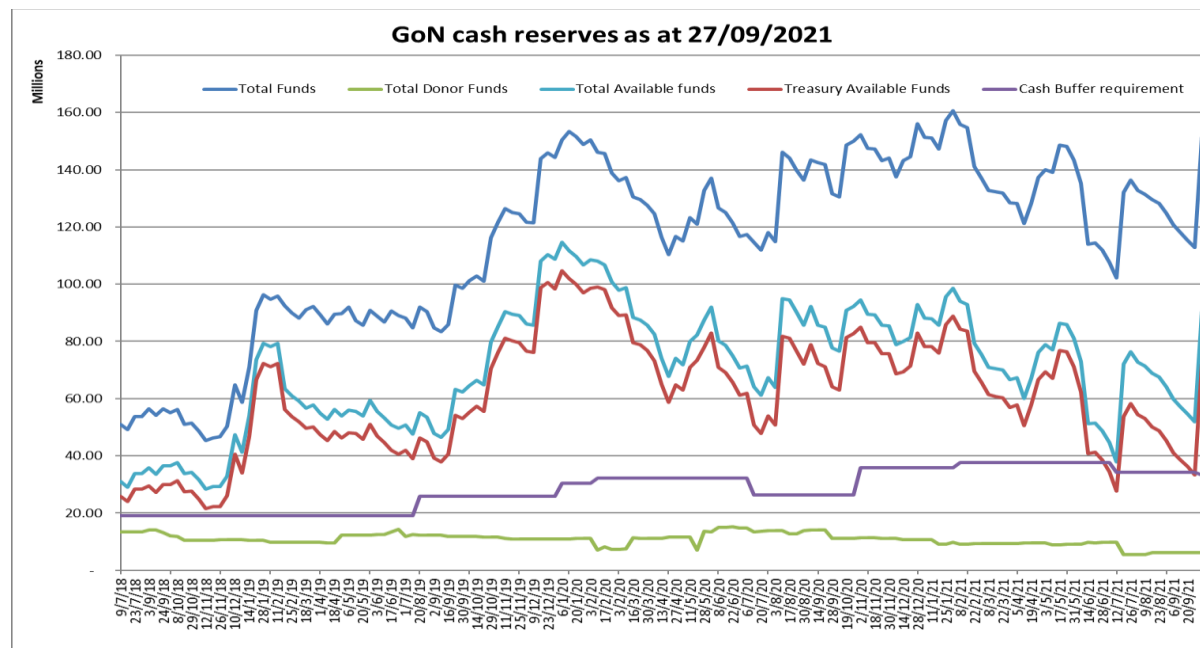
Table 22 Expenditure by Department Q1 2021-22

Description	2020-21	2021-22	2021-22	2021-22	2021-22	2021-22	2021-22	2021-22
	Preliminary Actual	Approved Budget	Supp Bills	ISHT	Revised Budget	Actual	Actual as % of Budget	Remaining Budget
	\$	\$	\$	\$	\$	\$	%	\$
01 - Presidency and State House (including GIO)	2,699,326	2,148,953	0	0	2,148,953	968,871	45%	1,180,082
02 - Ministerial	17,903,918	10,627,108	4,940,000	0	15,567,108	10,105,150	65%	5,461,958
03 - Chief Secretariat	17,254,614	17,909,751	558,246	0	18,467,997	4,219,237	23%	14,248,760
05 - Audit	256,249	292,483	0	0	292,483	40,332	14%	252,151
06 - Parliament	960,015	1,318,376	0	0	1,318,376	35,995	3%	1,282,381
08 - National Emergency Services	1,536,116	1,957,198	0	0	1,957,198	306,369	16%	1,650,829
09 - Electoral Commission	333,261	386,677	0	0	386,677	61,800	16%	324,877
11 - Finance Secretariat	2,073,886	2,547,512	0	0	2,547,512	426,223	17%	2,121,290
12 - Finance - Public Debt	13,191,700	20,226,213	0	0	20,226,213	0	0%	20,226,213
13 - Bureau of Statistics	91,184	214,629	0	0	214,629	27,077	13%	187,552
15 - Nauru Revenue Office	407,601	505,279	0	0	505,279	65,133	13%	440,146
16 - Finance - Other Payments	114,657,442	72,563,171	9,445,049	0	82,008,220	20,310,182	25%	61,698,038
17 - Nauru Customs Office (NCO)	766,884	947,948	185,600	0	1,133,548	336,385	30%	797,163
18 - Nauru Regional Processing Centre (NRPC) Corporation	1,329,362	1,425,707	0	0	1,425,707	212,053	15%	1,213,654
21 - CIE	922,866	847,257	0	0	847,257	115,599	14%	731,658
22 - Climate Change	743,084	925,138	0	0	925,138	189,981	21%	735,157
31 - Fisheries	2,652,660	3,479,266	0	0	3,479,266	592,862	17%	2,886,404
41 - Police	4,602,616	4,630,357	0	0	4,630,357	1,124,662	24%	3,505,695
42 - Dept of Multi Cultural Affairs	25,890,633	20,927,213	11,000,000	0	31,927,213	6,090,282	19%	25,836,931
43 - Justice - Secretariat	3,785,684	2,964,360	0	0	2,964,360	492,892	17%	2,471,468
44 - Judiciary	1,627,035	2,024,387	0	0	2,024,387	320,054	16%	1,704,333
45 - Border Control	894,876	799,941	0	0	799,941	89,053	11%	710,888
46 - Correctional Services	873,168	920,461	0	0	920,461	136,016	15%	784,444
50 - Directorate of TVET	545,538	808,565	0	0	808,565	76,646	9%	731,919
51 - Education	11,294,024	16,235,228	0	0	16,235,228	2,405,335	15%	13,829,893
52 - Youth Affairs	227,644	284,612	0	0	284,612	62,003	22%	222,609
60 - COVID-19 task force	9,016,914	8,300,466	1,303,000	0	9,603,466	1,407,782	15%	8,195,684
61 - Health	16,125,947	18,512,537	3,500,000	0	22,012,537	7,681,466	35%	14,331,072
62 - Sports	1,260,194	1,325,740	400,000	0	1,725,740	650,561	38%	1,075,179
63 - Department of Infrastructure Development	3,133,422	3,783,989	600,000	0	4,383,989	553,815	13%	3,830,174
71 - Foreign Affairs - Secretariat	1,090,046	1,302,146	98,600	0	1,400,746	201,184	14%	1,199,561
72 - Foreign Affairs - Brisbane	869,305	1,033,352	0	0	1,033,352	0	0%	1,033,352
73 - Foreign Affairs - Suva	976,999	662,158	0	0	662,158	43,991	7%	618,167
74 - Foreign Affairs - New York	1,674,063	2,083,590	0	0	2,083,590	225,479	11%	1,858,111
75 - Foreign Affairs - Taiwan	359,484	521,700	0	0	521,700	124,882	24%	396,817
76 - Foreign Affairs - Geneva	609,636	656,450	0	0	656,450	35,534	5%	620,916
77 - High Commission India	0	211,975	0	0	211,975	0	0%	211,975
78 - High Commission Canberra	250,479	730,397	0	0	730,397	0	0%	730,397
81 - Home Affairs	4,185,849	3,790,322	76,289	0	3,866,611	943,843	24%	2,922,768
82 - Women's Affairs	577,283	1,010,457	0	0	1,010,457	160,727	16%	849,730
83 - Media Bureau	1,037,786	612,729	0	0	612,729	123,499	20%	489,230
84 - Lands & Survey	5,847,455	5,902,841	0	0	5,902,841	241,894	4%	5,660,947
85 - Lands Committee	325,240	367,998	0	0	367,998	58,727	16%	309,271
86 - Department of Land Management	156,488	117,667	0	0	117,667	25,346	22%	92,321
87 - Disability Department	85,681	180,961	0	0	180,961	73,711	41%	107,251
91 - Department of Transport	2,461,369	2,390,019	0	0	2,390,019	467,809	20%	1,922,210
95 - ICT	2,234,289	2,567,339	0	0	2,567,339	656,028	26%	1,911,311
97 - Telecom	37,851	40,739	0	0	40,739	1,997	5%	38,742
Total Expenditure	279,837,164	244,023,361	32,106,784	0	276,130,145	62,488,467	23%	213,641,678

CASH POSITION

The Government continued to build up cash balances over the quarter (Figure 4). At the end of the quarter, total funds were \$151.1 million. The cash buffer requirement of two months of adjusted expenditure was \$33.4 million. Total funds were significantly in excess of the recommended fiscal cash buffer, with \$40.1 million quarantined in separate cash buffer accounts.

Figure 4 GoN Cash reserves Q1 2021-22



Total Funds includes all accounts available to Government, including donor and project funds.

Total Available Funds comprises Total Funds, less term deposits, donor funds and those quarantined for a specific purpose, such as unclaimed land rental.

Treasury Available Funds comprises at call funds where Government has full discretion over use. It comprises Total Funds, less term deposits, donor, SOE and project funds (including quarantined funds).

REPUBLIC OF NAURU DEBT

This section provides information on current and projected Republic of Nauru external and internal debt. It follows recent work, supported by technical assistance from the Asian Development Bank, to undertake a stocktake of outstanding debt liabilities.

OVERVIEW OF NAURU DEBT

Over 2020-21, the Government continued to implement the Debt Action Plan, taking the opportunity of windfall revenues from the Regional Processing Centre extension to improve the Republic's balance sheet. A summary of debt related transactions is in Table 29.

Action included resolving long-standing external debt (Firebird), and Bank of Nauru (BON) liquidation payments to individual bank book holders and the Nauru Phosphate Royalties Trust (NPRT). Accounts payable arrears for Eiguu Holdings Corporation were also resolved. A new USD24.95 million EXIM Bank loan was agreed for Nauru Airlines to purchase replacement aircraft, funded in two tranches.

In 2021-22, the Government expects to draw down the second tranche of the EXIM Aircraft loan, make principal and interest payments on outstanding EXIM loans, and make payments to reduce BON creditor balances, including a NPRT payment equivalent to a 5 per cent capital distribution.

Table 23: Summary of Government debt related transactions

Description	2019-20 Preliminary Actual \$	2020-21 Revised Budget \$	2020-21 Actual \$	2020-21 Projected Actual \$	2021-22 Approved Budget \$
Revenue					
1902 - EXIM NAC Loan Proceeds	-	34,930,000	-	18,284,020	16,245,600
Total Revenue	-	34,930,000	-	18,284,020	16,245,600
Expenditure					
2545 - Debt Repayments - EXIM	-	3,539,572	-	-	3,980,613
2545 - Debt Repayments - Firebird	-	4,000,000	4,000,000	4,000,000	-
2545 - Debt Repayments - BON NPRT	-	5,833,334	5,412,125	5,833,334	5,833,334
2680 - BON Liquidation- Payment	3,013,346	7,088,142	5,490,559	7,088,142	1,000,000
2376 - Equity Purchases (EXIM NAC)	-	34,930,000	-	18,284,020	16,245,600
2802 - Loan Expend Account (Ronphos)	700,000	-	-	-	-
2681 - Prior Year Accounts Payable (GoN)	-	1,000,000	358,694	1,000,000	-
Total Debt related expenditure	3,713,346	56,391,048	15,261,378	36,205,496	27,059,547

EXTERNAL DEBT

The stock of the Republic of Nauru's external debt is summarised in Table 30. Key changes in 2020-21 relate to the resolution of outstanding Japanese Samurai Bonds, repayments of principal and interest on the EXIM Bank Ronphos equipment loan, and the expected partial draw down of the EXIM Bank loan for replacement aircraft.

Table 24: Total Government external debt

Instrument	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual			Projected				
Original Currency								
Samurai Bond Series B (JPY millions)	4,000	4,000	4,000	-	-	-	-	-
Samurai Bond Series C (JPY millions)	5,000	5,000	5,000	-	-	-	-	-
EXIM Bank China - Ronphos (US\$'000)	-	5,000	4,500	4,000	3,500	3,000	2,500	2,000
EXIM Bank China - Aircraft (US\$'000)				13,346	22,871	20,792	18,712	16,633
Australian Dollar (A\$'000)								
Samurai Bond Series B	48,999.4	52,968.9	54,106.5	-	-	-	-	-
Samurai Bond Series C	61,249.3	66,211.1	67,633.2	-	-	-	-	-
EXIM Bank China - Ronphos	-	7,129.6	6,556.9	5,171.6	4,525.2	3,878.7	3,232.3	2,585.8
EXIM Bank China - Aircraft				17,255.2	29,569.9	26,881.7	24,193.5	21,505.4
Total:	110,248.7	126,309.7	128,296.6	22,426.8	34,095.1	30,760.4	27,425.8	24,091.2
As a share of GDP	66%	76%	75%	13%	18%	16%	14%	12%

Note: Samurai bond amounts are the Bond face value, excluding coupons in arrears and interest. The EXIM Bank Aircraft loan is assumed to be funded in two tranches, in June 2021 and December 2021. Values are estimated at 30 June. Figures may differ to other budget presentations due to difference in exchange rate assumptions.

In March 2021, the Government concluded negotiations with Firebird Global Master Fund II Ltd (Firebird) to settle the outstanding amount of two Japanese Samurai Bonds (Yen denominated bearer bonds) issued by RONFIN in the mid 1980s. The Government, as guarantor of RONFIN, defaulted on the bonds in the 1990s. Firebird held a proportion of Series B and Series C bonds. The bonds were settled for an outlay of \$4 million. This was funded by a reallocation (ISHT) from the Fiscal Cash Buffer, previously set aside for this purpose.

Resolution of this long standing external debt obligation will significantly improve the assessment of Nauru's debt sustainability, and remove a key obstacle to accessing external credit markets and donor financing in the future.

Due to the passage of time, and consistent with the terms of the bonds on the period of extinctive prescription of 10 years for the principal of the Bonds and five years for the coupon interest on the Bond, any repayment obligation related to the Samurai Bonds not covered by the Firebird agreement is now considered expired.

In October 2020, the Government announced that it would support Nauru Airlines with its aircraft replacement program, with a new USD24.95 million loan from EXIM Bank, supported by the Republic of China (ROC) Taiwan. By the end of June 2021, it is expected that Nauru Airlines will have completed the purchase of an aircraft and that the loan will be partially drawn down to an amount of USD13.3 million. The remainder of the loan (USD11.2 million) is assumed to be drawn down by June 2022. This will fund another aircraft that is yet to be identified.

Repayments of principal and interest will commence in 2021-22, supported by a general budget support grant provided by ROC Taiwan as outlined in a Memorandum of Understanding with the Government. This is a similar arrangement for the ROC Taiwan budget support for the EXIM Bank Ronphos equipment loan.

The EXIM Bank Aircraft Loan is for a total amount of USD24.95 million over 12 years at an interest rate of six month LIBOR + 0.8 per cent. The EXIM Bank Ronphos Equipment Loan was for a total amount of USD5 million, over 10 years at an interest rate of six month LIBOR + 1.5 per cent.

TOTAL GOVERNMENT DEBT SERVICE

Total debt service costs are summarised in Table 31. Costs relate to external debt only, and may differ from figures in the other budget tables due to exchange rate assumptions.

Table 25: Total Government debt service costs

Instrument	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual			Projected				
Original Currency								
Samurai Bond Series B (JPY millions)	-	-	-	-	-	-	-	-
Principal Payments	-	-	-	N/A	-	-	-	-
Interest Payments	-	-	-	-	-	-	-	-
Samurai Bond Series C (JPY millions)	-	-	-	-	-	-	-	-
Principal Payments	-	-	-	N/A	-	-	-	-
Interest Payments	-	-	-	-	-	-	-	-
EXIM Bank China Ronphos (US\$'000)	-	-	684.0	616.5	572.9	563.5	554.1	544.7
Principal Payments	-	-	500.0	500.0	500.0	500.0	500.0	500.0
Interest Payments	-	-	184.0	116.5	72.9	63.5	54.1	44.7
EXIM Bank China - Aircraft (US\$'000)	-	-	-	-	2,141.1	2,153.5	2,146.8	2,139.7
Principal Payments	-	-	-	-	2,079.2	2,079.2	2,079.2	2,079.2
Interest Payments	-	-	-	-	61.9	74.4	67.6	60.5
Australian Dollar (A\$'000)	-	-	-					
Samurai Bond Series B	-	-	-	1,292.3	-	-	-	-
Principal Payments	-	-	-	1,292.3	-	-	-	-
Interest Payments	-	-	-	-	-	-	-	-
Samurai Bond Series C	-	-	-	2,707.7	-	-	-	-
Principal Payments	-	-	-	2,707.7	-	-	-	-
Interest Payments	-	-	-	-	-	-	-	-
EXIM Bank China - Ronphos	-	-	996.6	797.1	740.8	728.6	716	704
Principal Payments	-	-	728.5	646.5	646.5	646.5	646.5	646.5
Interest Payments	-	-	268.1	150.7	94.3	82.1	70.0	57.8
EXIM Bank China - Aircraft	-	-	-	-	2,768.2	2,784.3	2,775.6	2,766.4
Principal Payments	-	-	-	-	2,688.2	2,688.2	2,688.2	2,688.2
Interest Payments	-	-	-	-	80.1	96.1	87.4	78.3
Total:	-	-	996.6	4,797.1	3,509.0	3,512.9	3,492.0	3,470.7
Principal Payments	-	-	728.5	4,646.5	3,334.6	3,334.6	3,334.6	3,334.6
Interest Payments	-	-	268.1	150.7	174.4	178.3	157.4	136.1

Notes:

1. The principal and interest payments on the EXIM Ronphos loan are met by an equivalent payment under the Ronphos subsidiary loan agreement, which is in turn met by a ROC Taiwan general budget support annual grant until 31 December 2022.
2. The principal and interest payments on the EXIM Aircraft loan are met by a ROC Taiwan general budget support annual grant until 31 December 2022.
3. Samurai Bond Series B and C were settled in full by payment to Firebird on 29 March 2021 of A\$4 million.
4. Values at 30 June.

TOTAL GOVERNMENT LIABILITIES

Total Government liabilities are summarised in Table 26. The significant change in external liabilities between 30 June 2020 and 30 June 2021 relates to the resolution of legacy external debt related to Japanese Samurai Bonds issued in the 1980s.

External liabilities relate to external debt shown in Table 2 and membership arrears to international organisations that are the subject of a request to the relevant organisations for the arrears to be forgiven. This is expected to be resolved by December 2021.

Internal liabilities relate to the BON liquidation and payment arrears related to Eigu Holdings Corporation. As part of the Debt Action Plan, Government is meeting arrears payments, when it is satisfied that they are legitimate and have not been previously paid.

Table 26: Total Government Liabilities

Australian Dollar (A\$'000)	2019-20 Actual	2020-21 Estimate	2021-22 Estimate
Total External and Internal	183,688.5	64,386.6	66,291.2
As a share of GDP	107%	36%	36%
External	131,226.9	25,357.1	34,095.1
As a share of GDP	77%	14%	18%
Government External Debt	128,296.6	22,426.8	34,095.1
Informal Liabilities (Payment Arrears)	2,930.3	2,930.3	-
Internal	52,461.6	39,029.5	32,196.1
As a share of GDP	31%	22%	17%
Bank of Nauru Liquidation Creditors	51,950.9	39,029.5	32,196.1
Informal Liabilities (Payment Arrears)	510.7	-	-

Notes:

1. The amounts in the table are unaudited and may change. Values estimated at 30 June.
2. External informal liabilities relate to membership arrears to international institutions

Table 26 reflects those liabilities recognised by the Government at the time the table was prepared. From time to time, other historic payment arrears may be identified. They will be included in the liability table when the Government accepts the validity of the obligation.