

# APPROPRIATION BILL 2022-2023

## SECOND READING SPEECH

**Hon. Martin Hunt, MP**

**Minister for Finance**

**31 May 2022**

Mr Speaker Sir,

I present before Parliament the *Appropriation Bill 2022-2023*.

Mr Speaker and Honourable members, on behalf of the government it is an honour for me to present, to this august House the Budget for the financial year 2022-2023.

Mr Speaker, the theme of this year's Budget is "**Sustaining a Resilient Naoero**", which will no doubt build on the current development priorities of the government to strengthen the resilience of our economy, infrastructure and people. A business-as-usual approach will not deliver sustained long-term economic growth.

Mr Speaker, sustaining a resilient Naoero starts with protecting the life of every Nauruan. During the deadly pandemic that killed millions world-wide, not a single life has been lost to COVID-19 in Nauru. The robust response of this government has allowed Nauruans to live their lives normally and without fear.

Mr Speaker, we are starting the year on a positive note. In the face of a global pandemic, the government's proactive policy response provided the impetus to stimulate economic activity. The extension of RPC arrangements to June 2022 and improved global economic conditions provided favourable financial conditions for Nauru.

Moving forward, enduring capability arrangements beyond the medium-term will be determined with the new Australian Government. Also, the prolonged pandemic and volatile movement in global prices, if not managed properly, can weaken our fragile economy. Adopting responsible fiscal management and implementing decisive policy measures will be essential to bring forth economic prospects in this environment.

Sir, the decisive policy response that government introduced is now in fruition, with current economic performance exceeding expectation and our economic prospects looks buoyant. I wish to highlight some of the key activities and achievements the government has progressed during its tenure:

- The government's economic policies have seen Nauru's economy grow from a nominal GDP of **\$166 million** in 2019 to an estimated **\$185 million** in 2022 - an 11 percent expansion.
- The government's cash position is comfortably sustainable with **\$150 million** total funds available.
- Our debt to GDP ratio currently stands at **32 percent** from over **100 percent** at 30 June 2020.
- Government has continued to achieve our Fiscal Responsibility Ratio targets for three consecutive years.
- The government continues to make significant contributions to the *Nauru Intergenerational Trust Fund* (NITF), the value of estimates is now **\$250 million** compared to **\$111 million** at 30 June 2019, an increase of over 200 percent.
- The Higher Ground Initiative, the government's transformational urban project, is progressing to the design phase. Land clearing at Portion 230 was recently completed. The next phase will see a full island national urban master plan developed.
- The government continues to prioritise investments towards key economic infrastructure as outlined in the Nauru Integrated Infrastructure Strategic Plan. To date we have invested over **\$100 million** towards economic infrastructure such as Port redevelopment project.
- Significant investments have been made to improve our transport sector, which has increased the reliability and affordability of essential goods and services. We have provided Nauru Airlines with **\$11.5 million** for the conversion of two passenger planes to freighters. We have also provided **USD \$13 million** for the purchase of one new aircraft, financed by the first tranche of the Exim loan, and **\$2.4 million** for rebranding. In the previous financial year, we also secured a new vessel for Nauru Shipping Line thanks to the support of the Indonesian Government.
- Government has allocated **\$57.5 million** to the Nauru Community Housing Scheme to increase housing stock and address overcrowding. To date, around 200 households per caucus member have benefitted from this support. The assistance is wide ranging, from minor renovations to a complete new build.
- Government continues to make significant allocations toward the Education and Health sectors, averaging **20 percent** of GDP in the last four years.

Mr Speaker, we have made significant progress, but we must not be complacent. Government must continue its efforts to build a sustainable and resilient economy.

The 2022-2023 Budget recognises expected revenue of **\$253.3 million** and appropriates expenditure of **\$252.8 million**, with a surplus balance of **\$549 thousand**.

These estimates reflect the government's commitment to achieve macro-economic stability through responsible economic management.

The budget retains the three fiscal responsibility ratios, by delivering:

- a budget balance that is positive in terms of GDP – that is, a small surplus;
- keeping personnel costs below 30 per cent; and
- a liquidity cash buffer of two months adjusted government expenditure.

The budget includes measures to improve the Republic's balance sheet through long-term savings in the Nauru Intergenerational Trust Fund and reducing government debt.

In 2022-2023, the government will contribute 10.1 per cent of adjusted revenue to the Trust Fund, or **\$28.6 million**.

**\$9.3 million** has been prepaid in 2021-2022, and **\$19.3 million** will be paid in 2022-2023.

The government will again provide **\$5.8 million** to the Nauru Phosphate Royalties Trust for a 5 percent Ronwan capital re-distribution from balances available from the Bank of Nauru liquidation. The outstanding NPRT balance after this payment will be **\$11.3 million**, down from **\$35 million** when this government came into office in 2019.

A provision of **\$1 million** has also been made for Bank of Nauru bank book holder payments. This will bring down current Bank of Nauru debt to **\$30 million**. These measures build on the significant progress made this year to improve Nauru's debt sustainability.

Mr Speaker, to improve the administration of *Price Regulation Act 2008*, the government will establish the **Nauru Consumer Protection Authority**. This will assist government through an independent Authority to make informed decisions on price control policies into the future and to protect consumers against unfair trade practices.

Mr Speaker, I would like to highlight the key revenue estimates in the budget.

The Government of Australia has confirmed the extension of the RPC arrangement from June to December this year, with Enduring Capability likely to commence in January 2023. A multi-year funding arrangement under Enduring Capability is currently being negotiated. I am pleased to inform that the

funding for the first year has been finalised. As we move into contingent state of Enduring Capability, there is enough financial support for the transition to be effectively implemented.

The total revenue from RPC related activities is budgeted at **\$134.3 million**. This includes income from business tax, employment services tax, service and hosting fees.

The second largest contributor to revenue is fishing licences. Fishing revenues for the current year are in line with expectations, despite the logistical challenges related to COVID-19. The budgeted fisheries revenue for 2022-2023 is **\$54.5 million** or **22 per cent** of total revenue.

Import related revenues are expected to be at similar levels to this year, at **\$19.3 million**, or **8 percent** of total revenue.

The government anticipates development partners to contribute **\$20.8 million** as budget support, further enhancing our vision to promote social and economic development.

Mr Speaker, I now move into Expenditure measures.

In line with the 2022-2023 theme, the budget aims to improve the quality of life of all Nauruans through investments in education, health and social programs.

Mr Speaker, Government is investing in Education to build a knowledgeable community and enable all Nauruans to positively contribute to the success of our nation.

Our children are the future and lifeline of Nauru, and a good education is the key to future prosperity and opportunity.

There have been improvements in school attendance and retention rates in the current school year. For the past two years, student attendance rates have risen steadily by **17 percent**. The retention rate is now above **60 percent**. In 2022, the number of qualified teachers has doubled, and Teacher–Student ratios have improved - with an average of **one teacher to 31 students** in 2022, compared to **one teacher to fifty students** previously.

In 2022-2023, the budget for Education is **\$12.9 million**.

Key measures for education include:

- **\$2.8 million** for scholarships to provide learning opportunities overseas;
- **\$1.6 million** for nutritious school lunches;
- **\$581 Thousand** to help teachers obtain formal teaching qualifications;

- **\$228 Thousand** to purchase children’s learning materials;
- **\$112 Thousand** to reward local teachers who have completed two years of service. In the past, Nauru has struggled to retain teachers, and this measure will help ensure the education of our children is not interrupted by a lack of teaching staff; and
- **\$300 Thousand** is provided for the NEAT scheme, as incentives for students to stay at school and graduate from year 12.

To support parents in preparing their children to be ready for school, the **Back to School** payment of **\$50 per child** will continue.

The budget also includes measures to support continuous learning outside school, with increased provision for vocational education and training. TVET, with donor support from the Government of Australia, is offering online programs through TAFE Queensland that will meet industry needs and create employment pathways.

Mr Speaker, the government views sport as a pathway for our aspiring athletes to compete at international levels. To improve community participation and encourage healthy lifestyles, the key budget measures for 2022-2023 include:

- **\$300 Thousand** for the ongoing funding of the “No school No play” incentive;
- **\$300 Thousand** for our powerlifters to participate in the Oceania Regional Powerlifting Championship in Niue this October;
- **\$200 Thousand** to upgrade the Location and Aiwo Multipurpose courts with a permanent shade cover, fostering greater community involvement in sports;
- **\$100 Thousand** for selected national sporting associations;
- **\$100 Thousand** to support the ancient practice of Frigate Bird, preserving our cultural heritage; and
- **\$400 Thousand** to develop an Anti-doping program to meet Nauru’s international commitments and enable Nauruans to participate in international sporting events.

Mr Speaker, our people deserve the best medical services available to support a productive and healthy lifestyle. The delivery and quality of our health services remain a high priority for the government. In partnership with the Australian Government, our Health Department will implement the “*Beyond Central Solution*”.

This is a patient management system used to track and monitor all individuals that access our health services and sequence follow up clinical services.

The 2022-2023 Budget allocates **\$29.4 million**, or **15 per cent** of **GDP**, for health-related activities, with **\$18.1 million** for the Health Department, and **\$11.3 million** for the COVID-19 Taskforce.

The key health measures include:

- **\$6.4 million** for salaries and allowances. We will be bringing in eleven new expatriate staff this year to supplement current staffing resources;
- **\$1.1 million** for drugs and medicines to help control and ensure a continuous supply of essential treatments;
- **\$636 thousand** for the purchase of a breast cancer screening unit, which will help early detection of breast cancer and improve patients' best chance for successful treatment;
- **\$642 thousand** for a Telemedicine service. This will enable our doctors to consult overseas specialists on urgent, critical and complicated cases;
- **\$350 thousand** for dialysis supplies to support the continuing care of our dialysis patients;
- **\$300 Thousand** for an M-Supply software licence, ensuring efficient management of pharmaceuticals supplies;
- **\$250 Thousand** for early detection and treatment of Non-Communicable Diseases through Primary health care services, and
- **\$3 million** for Overseas Medical Referrals.

Over the past year, the additional professionals added to the health workforce have improved the quality of care and reduced nurse-to-patient ratios. The **nurse-to-patient ratio** is now **one nurse to one patient** in critical areas, and **one nurse to two patients** in the rest of the hospital.

Similarly, the ratio of medical practitioners to the population currently stands at **1 to 157**, a significant drop from previous years, where the ratio was **1 to 1,000**.

The accreditation of the Nauru Health Training Institute by the University of Fiji will result in more of our local health workforce having access to quality health training and further boost our medical practitioner to patient ratio.

The Department of Health has completed a number of refurbishments at the RON Hospital including the building of a new acute ward, renovation of the dialysis unit, completion of the negative pressure unit and upgrading of essential biomedical equipment.

Mr Speaker, keeping Nauru COVID-safe continues to be a priority for this government. To maintain a COVID safe community, we will continue conducting 100 PCR tests weekly.

Our COVID-19 vaccination of the adult population has progressed effectively, with over 95 percent of adults having received two doses. The uptake on booster shots was satisfactory at 86 percent, and we anticipate more booster shots to be made available and support our high levels of vaccination coverage. The Pfizer vaccine for 5 to 11-year-olds will be rolled out soon. The government extends its appreciation to development partners for their unwavering support for keeping Nauruans safe from the virus. On a personal note, I would like to thank all frontline staff for their tireless efforts in keeping Nauru COVID-safe.

The government will continue its ‘Capture and Contain’ strategy into the new financial year, with **\$5.8 million** funding provided for 48-hour pre-travel quarantine in Brisbane and 5-day quarantine on Nauru.

The COVID-19 Taskforce will also be provided with the following funds:

- **\$500 Thousand** to upgrade the former RPC Ewa Camp as an alternative quarantine facility;
- **\$200 Thousand** for a medical waste treatment system; and
- **\$100 Thousand** for the RON hospital flood mitigation project.

Mr Speaker, the government is also committed to improving broader social programs.

This year the government intends to finalise an assessment of land rental rates. In anticipation of the outcomes of the review, government has allocated **\$5.4 million** in the 2022-2023 budget for land rental, an increase of **\$0.5 million** from the current year’s allocation. The assistance is likely to benefit over 1,000 landowners on the island.

Mr Speaker, this budget also includes measures to ease cost of living pressures for households, especially for the vulnerable.

Key measures include:

- A **one-off \$3.4 million Ex Gratia** payment to all individuals receiving income from government, including SOE staff and pensioners. This payment is designed to ease cost of living pressures. The payout to individuals will depend on their fortnightly pay scale, and will range from \$600 to \$1000. Those at the lower end of the income scale will receive a higher amount.

- The government will also launch a public service salary review, with the possibility of expanding the review to consider household incomes. The aim of these assessments is to ensure that local income levels are appropriate for the type of work done, and that salaries are sufficient to meet living expenses on island.
- Aged and disability pensions are maintained at \$3.8 million for 2022-2023;
  - the Aged Pension for those aged 60 and Disability pension is maintained at \$265 a fortnight; and
  - the Aged Pension for those aged over 70 years is maintained at **\$315** a fortnight.
- The prepay lifeline electricity tariff will continue at 22c kw/hour, the pre-pay residential tariff at 47c and the post-pay residential tariff at 48 cents a kw/hr, supported through the Community Social Obligation paid to NUC.
- In addition, the government is mitigating risks to food supply by funding one air-freight service a week, and regular sea freight services at a commercial cost level .
- To ensure continuous supply of foods and other items through sea freight, government is providing **\$4.3 million** to Nauru Shipping Line for essential maintenance of the Micronesia Pride and a charter to service Nauru's freight needs while the Micronesia Pride is on dry dock.
- To foster local food options, the Meneng Farm and the Fisheries Livelihoods Project will receive funding to purchase piglets and chickens to start local farms, and supply milkfish fry to local farmers.

Fishing is a key part of Nauruan life, and the 2022-2023 budget includes measures to ensure Nauruan fishing activities are sustainable, and food security risks are mitigated.

The budget includes:

- **\$500 Thousand** to purchase additional outboard motors and gear;
- **\$100 Thousand** to increase fisheries production through the Aquaculture Holding Facility by importing milkfish fry to stock local milkfish ponds;
- **\$700 Thousand** is provided to improve coastal fisheries management using a community-based approach; and
- **\$100 Thousand** to equip Nauru fisheries observers with safety skills and equipment.

Mr Speaker, HGI is the central component of the country's strategy to build climate-resilient infrastructure and a sustainable environment.



HGI is a multi-year plan to rehabilitate and develop Topside. Government has established a new Division under the Department of Climate Change and National Resilience dedicated to the government vision of HGI. The government is now finalising a detailed site plan for the ten hectares at Land Portion 230 and a whole island master land use plan. The proposed master plan will provide new homes and apartments, along with new civic and commercial buildings and public parks. It will also bring many jobs, as this government fully intends HGI to be built by Nauruan hands to the greatest extent possible.

Key budget measures include:

- **\$1.7 million** to HGI Division to complete the design phase of the master plan, including a detailed strategy for ecological restoration and agriculture. These plans will be translated into engineering documents and investor-ready project proposals.
- **\$1.5 million** is provided to the Nauru Rehabilitation Corporation in this budget for a cemetery site at Topside. This is consistent with the HGI concept.

Mr Speaker the 2022-2023 Budget also includes provisions to support continued improvement in housing and the built environment.

- **\$9.1 million** has been provided to continue the Nauru Community Housing and **\$2 million** for the Smart Village project. As previously mentioned, the scheme benefits approximately 200 households per caucus member, and demand continues to grow. The assistance given is tailored to the needs of each household, with costs rising due to the cost of imported materials and labour shortages;
- **\$3.1 million** for the clean and green program;
- **\$742 Thousand** for the construction of seawalls to mitigate effects of climate change and to protect our vulnerable sites;
- **\$350 Thousand** for twin chamber and concrete septic tanks; and
- **\$345 Thousand** for improving the dwelling environment of people living with a disability.

In 2022-2023, the government will also progress key economic infrastructure projects, consistent with priorities in the Nauru Integrated Infrastructure Strategic Plan.

The resurfacing of the aerodrome runway and Island ring-road will commence in the new year, funded through a multi-year **\$40 million** grant from the Government of Australia.

**\$2.1 million** will be provided for the Port Project, which will reach Milestone 1 in the second half of 2022. This will enable the berthing of Nauru Shipping Line's Micronesian Pride, reducing the need to use expensive tug boats and expand Nauru's economic opportunities.

The current mooring system at the Port is vital for loading and unloading phosphate and fuel cargo. Even when the new Port is completed, the moorings will still be required for phosphate loading operations, therefore, maintaining this asset in good repair is vital. An inspection and scoping of the mooring's condition is underway. The government is currently consulting bilateral partners to progress this project.

The **Solar Farm Project funded** by ADB is on track for completion by April 2023. The completion of the 6-megawatt solar plant will help boost the capacity of electricity generation from renewable sources from 3% to 50 percent, bringing Nauru closer to it achieving its solar energy targets.

**\$1.5 million** is also provided to continue with the Tank Farm refurbishment. This will not only enhance Nauru's fuel supply capacity, but will also provide our Pacific neighbours with access to regionally-stored fuel.

Mr Speaker, in the year ahead, budget support for State Owned Enterprises will continue to enable them to fulfil their corporate mandates. With the support of ADB Technical Assistance, Public Enterprise reform through strengthening corporate Governance will continue into the new year. Ultimately, this reform will result in enhancing profitability, productivity, efficiency and accountability of our public enterprises.

The 2022-23 Budget includes:

- **\$8.4 million** for Community Service Obligations (CSO) to support affordable electricity supply, regular air freight services, and affordable Port service charges, and
- **\$2.5 million** for tug-boat hire for phosphate loading and cargo unloading.

The government will support Nauru Airlines with the final disbursement of the second-tranche Exim loan of **USD \$11.3 million**, for the purchase of the second passenger aircraft.

Mr Speaker, looking ahead, we can expect volatile movements in commodity prices, a prolonged COVID-19 pandemic, a shift in RPC arrangements to an Enduring Capability, and Climate Change. If the past two years have taught us anything, it is to be prepared for the unexpected. A resilient economy must have sufficient capacity to withstand potential shocks from such events.

As responsible economic managers, this government has included a **\$2.7 million** cash buffer to cover the impacts of any urgent, unforeseen events.

The 2022-2023 Budget has been framed to support Nauru's sustained resilience through responsible economic management, easing cost of living pressures, and investing in service delivery and in productivity enhancing infrastructure.

It builds on the strong performance in 2021-2022.

This coming year, Nauru will collect an anticipated **\$253.3 million** in revenue and appropriates expenditure of **\$252.8 million**, with a surplus balance of **\$549 thousand**. This surplus will be used to build up cash reserves at the bank and support Nauru to manage the uncertainties in the year ahead.

Mr Speaker, I commend the Appropriation Bill 2022-2023 to the House.