

**APPROPRIATION BILL 2024-2025**

**SECOND READING SPEECH**

**Hon. David Adeang, MP**

**Minister for Finance and Sustainable Development**

**20 August 2024**

**Mr Speaker Sir,**

I present before Parliament the *Appropriation Bill 2024-2025*.

**Mr Speaker**, Honourable Members, on behalf of the government, it is an honour for me to present to this House, the Budget for the financial year 2024-2025.

**Mr Speaker**, this budget is presented under unusual circumstances. Additional analysis and thinking were required to ensure that we were able to take full advantage of the recent upturn in revenues from development partners, new commercial operations, and the Regional Processing Centre while taking care to honour our commitments to fiscal discipline and careful planning. The Supply Bill has served its purpose, and we are now able to propose the 2024-2025 budget and appropriation bill to the Parliament.

**Mr Speaker**, the theme of this year's Budget is "**Establishing the building blocks for stability and prosperity**". A thriving and diverse society is fundamental for ensuring

economic stability and prosperity. Despite the buoyancy of the economy these past years, we recognise that household hardships remain for some of our citizens. Inflationary pressures have affected every facet of our society, and we propose in this budget to make big strides to relieve those pressures by providing immediate ex-gratia financial support to our national workforce, the aged, and the disabled. Ex-gratia payment to SOE personnel will also be supported. This will impact almost all households in the country, and we plan to expedite payments in the coming weeks. In addition, we will increase the funds available to members of the Government to use as local donations at the community level for the most vulnerable in our society.

We will, of course, monitor closely the financial impact of these transfers and take further measures as necessary to contain any unintended inflationary impacts.

We will further expand the provision of basic services through the creation of a new Department of Public Health which will focus on primary care and disease prevention. The Education Department budget will receive a significant uplift to help us get to grips with the global post-covid downturn in educational attendance and outcomes, increase scholarships for high performing students and upgrade educational infrastructure.

**Mr Speaker**, our economy is unique in many ways. The standard economic methodologies may not always be suitable for our needs. What we do know is that our people are our greatest asset, and this annual budget creates all the conditions for building a new economy by putting our people first. Our future planning must put the protection of our people and

way of life side by side with the optimism and confidence to explore the possibilities that modern business models and technological advances offer our people.

We have identified a new revenue source which will allow Nauru to tap into the market for international citizenship which has proven to be lucrative for many small island nations. We will pursue this opportunity with equal amounts of determination and caution and are confident that it will provide a significant source of new revenue of around \$9 million in this year, rising to significantly more in future years.

**Mr Speaker**, with the new government at the helm, our highest priority was to alter the economic decline and safeguard Nauruan jobs. I am pleased to confirm that RPC revenue trends continue to be favourable since our transition from Enduring capability to Active State, with \$182.4 million revenue. A further \$47.1 million revenue is expected to be received through collection of duties and taxes. Fisheries revenue will be moderate at \$50.5 million reflecting adjustments and realistic levels of demand for purse seine fishing days.

Also in this financial year, we will welcome the new Fiber Optic Internet Cable and the final commissioning of both the new port infrastructure and the solar farm, all of which will add significant core capability and capacity to our existing infrastructure. Completion of these projects will open up new avenues of revenue generation and import substitution for our nation which will have positive fiscal effects for generations to come.

Also, just yesterday Cenpac signed an agreement with SpaceX for Starlink to be licensed in Nauru, paving the way for – amongst other improvements – the rollout of 5G in Nauru in 2024.

**Mr Speaker**, this government seeks to prove itself capable of applying both a long-term strategic vision and short-term fiscal prudence. In this budget, we continue the success of previous Governments in our commitment to our fiscal rules and will strengthen them by broadening their scope and investing in our Finance Department to help further develop our fiscal rule policy framework. This will provide the necessary guidelines that will steer our economy to sustainable growth while preparing it for potential shocks in the future.

**Sir**, our key development partners with respect to our financial and fiscal position are the IMF, ADB and the World Bank. They regularly monitor our economic and fiscal performance. Our aim is to exceed expectations where we can, but also to continue to work closely with our partners to find a more Pacific-based or micro-state economic model that better reflects the realities of our situation so that our economic and fiscal performance can be measured more equitably. We welcome the recently announced UN resolution that formally adopts the Multidimensional Vulnerability Index (MVI) which can further encourage other development institutions to follow suit. We will continue to work with fiscal and economic experts from all parts of the world to both better understand and manage our economic circumstances.

Critical fiscal measures that bolster our reputation for fiscal caution are our commitment to continued funding of the Nauru Intergenerational Trust Fund (NITF) and our decision

to step up the clearance of outstanding Bank of Nauru debts. We will allocate a final \$5.8 million in settlement to NPRT of the remaining Ronwan balances thereby completing the clearance of the \$35 million assessment made upon the liquidation of BON. The next disbursement of BON will also focus on church ministries with further planned activities to broaden the scope and reach of BON payments. These settlements will significantly reduce our debt to GDP ratio and put us in a stronger economic position.

**Mr Speaker**, the 2024-2025 Budget recognises total expected revenue of **\$311.3 million** and appropriates expenditure of **\$348.7 million**. We will utilise the large surplus from the 2023-24 financial year to cover the shortfall and ensure that the ambitious expenditure plans can be achieved. We believe that with rising revenue trends, the risks of utilising prior year surpluses which would normally revert to our fiscal reserve, are mitigated. Our fiscal position will be monitored closely throughout the year and further mitigating measures will be taken if necessary.

We will retain the existing fiscal responsibility ratios amended to ensure that the budget is balanced over the medium term. This will allow us to maintain our strategic reserves while grasping the opportunities that rising revenues present us. Our expenditure plans will also be monitored through the introduction of the ‘Mid-Year Performance and Accountability Forum’. This will help to ensure that budget plans and execution are matched and that both are linked to an unyielding commitment to value for money and increasing productivity.

I intend around November this year to be calling in all Heads of Departments and SOEs to review their budgets including tracking their revenues and expenditures.

Our key **Fiscal Responsibility Ratios (FRR) from 2024-25 Onwards** are:

- a budget balance that is positive in terms of GDP over the medium term – that is, a small surplus over a rolling three-year period;
- keeping personnel costs below 30 per cent; and
- a liquidity cash buffer of at least two months of adjusted government expenditure.

We will review these during the year with a view to identifying additional ratios that might serve as both indicators of progress and control of potentially dangerous excesses.

The government anticipates development partners to contribute **\$15.1 million** as budget support, further enhancing our vision to promote social and economic development.

Without the complementary support of our financing partners, many critical aspects of this budget would not be deliverable. We are proud to partner with them and seek to make them proud of the contributions we jointly make to the development of our nation.

**Mr Speaker**, I now move into Expenditure measures. Full details of the budget will be available on the Department of Finance Website, and I encourage everyone to look through the details.

In line with the 2024-2025 theme, the budget aims to ensure our economy has stable foundations to facilitate future prosperity. Diversifying our revenue base by uncovering new sources and aggressively pursuing existing ones has enabled this Government to propose critical investments in our greatest assets, our people, through increased allocations towards their health, education, and financial security.

Whilst wages have not generally increased in line with inflation, Government has chosen for now to use ‘targeted temporary cash transfers’ in order to help alleviate cost of living pressures to Nauruans on wages and to vulnerable Nauruans on social welfare payments. That is to say, upon passage of the Appropriation Bill an ex-gratia payment will be rolled out in the next week for public servants; and another will be rolled out closer to Christmas for public servants and employees of SOEs.

**Mr Speaker**, Government is investing more than ever in our youth’s Education to address the post-covid slump in attainment and attendance that has been experienced worldwide. In line with the recently adopted 5 year ‘Ijetenida’ strategy, the Department of Education have set ambitious KPI targets this year to lift persistent truancy and overall attendance rates which currently average at 45% to 75%. We will encourage improved performance by investing in scholarships that will provide an incentive for all students to work hard for an attainable goal. We will continue to ensure that Nauruan students can study at the best schools abroad. We will also ensure that the educational infrastructure provides a more conducive and creative environment for the minds of our young to grow. This budget will support early childhood investments through the building and refurbishment of six community playcentres for children aged under 5, as well as building of a new office space for the department.

We will also again guarantee that every child attending school receives a balanced and nutritious meal each day. In 2024-2025, the budget allocation for the Education of our people (including TVET) is **\$25.1 million**, an increase of over **37%** on the previous year.

**Mr Speaker**, it is imperative that we continue to ensure that our children attend school. To support parents in preparing their children again for school, the **Back-to-School** payment of **\$50** per child per term will continue.

The budget also includes measures to support continuous learning outside school, with increased provision for vocational education and training. TVET is offering in-person and online programs that will meet industry needs and create further employment pathways. An allocation of **\$1.9 Million** is proposed which is an increase of over **80 percent** on the previous year.

**Mr Speaker**, our new economy will require our people to have access to the best primary preventive and medical services available to support productive and healthy lifestyles. The shortage of healthcare staff is a challenge that many countries struggle with. Despite such challenges the department and HR will continue to explore practical solutions to retain and attract a skilled workforce. Improving the health of all the people of Nauru continues to be a major priority. While we continue to work on improving the quality of health care, we are also investing more on health promotion and healthier lifestyles. In the coming financial year, the Government will finance the creation of a new Department of Public Health which will focus on primary and preventive care. The initial investment of **\$6.5 million** will allow the new Department to establish closer links to communities and to build and develop the core staff, many of whom have transferred from the Health Department. This will see a total investment in healthcare services of **\$22.3 million** overall in the health sector, or around \$1,784 per capita.



**Sir,** we have been able in recent months to increase the number of patients sent overseas on medical referrals (OMR). This will continue in the new financial year. Through new partnerships with hospitals in Fiji and India we will continue to seek the best care for patients that cannot be treated in-country. We acknowledge that increasing the number of patients treated abroad can put pressure on the Health Department budget and will endeavour to rationalize additional funding for OMR if those pressures become too great.

**Mr Speaker,** the government looks forward to the implementation of the Sports infrastructure that will host the Micronesian Games in 2026. The bulk of the preparatory work is near completion. Government will continue to engage with development partners to ensure financing support and resources are secured.

**Mr Speaker,** in recognising the challenges faced by our people, we will once again commit to providing allowance for the aged and people living with disabilities. In addition, we will maintain the existing Community Service Obligation (CSO) payments to our key State-Owned Enterprises (SOEs) who provide freight, power, water and sanitation services among others to our community. Learning from past challenges, the government housing budget has set more realistic targets this year with 11 two-bedroom houses to be built by the Department of Infrastructure plus another 11 houses to be built against the list of ‘red zone’ residents.

To help prevent future occurrences of house fires caused by faulty electrical wiring, Infrastructure will be supporting 40 households to repair damaged and faulty wiring

systems. To ensure water conserving features of our homes, roof guttering systems will be installed to vulnerable households.

**Sir**, as extensions of Government, our State-Owned Enterprises project an image of our nation to our own people and to the outside world. Our commitment to them must be absolute but cannot be unconditional. We will continue to provide ad-hoc support, where economically viable, but will always attach conditions that ensure that the recipients are accountable for the funding and provide a clear pathway to self-sustainability in the near-future.

With the generous support of ADB Technical Assistance, we will continue to strengthen SOE reform through investing in the Public Enterprise Monitoring Unit (PEMU) which is focused on strengthening corporate Governance and compliance with the Public Enterprise Act.

**Mr Speaker**, looking ahead, things may look brighter than they have for several years. In the long-term of course, we can always expect uncertainty. The immediate RPC situation is resolved and the outlook positive for Nauru. But we cannot rest on our laurels and will seek to leverage the processing expertise we have developed with other jurisdictions, further broadening our economic base and strengthening our future prospects.

**Sir**, as responsible economic managers, this government has also included a **\$10.6 million** cash buffer to ensure that funding is available for unforeseen activities. In addition, we again commit to our contribution to the NITF at **10.1%** of the previous year's revenue and to increasing the clearance rate of outstanding Bank of Nauru (BON) debts.

**Mr Speaker**, the 2024-2025 Budget has been framed to lay the building blocks for stability and prosperity. We have consolidated the record of previous governments for responsible fiscal management, ensuring that cost of living pressures have been eased for the most vulnerable, and invested in service delivery and in productivity-enhancing infrastructure. It builds on the exceptionally strong performance in 2023-2024.

**Mr Speaker**, budgets present an opportunity to be bold, to demonstrate compassion and understanding. But, above all, budgets allow us to shape our society. By reaffirming our commitment to building a stronger and more robust economy with an expanding revenue base, we have shown what can be done with determination and focus. Our nation will be made stronger and more resilient by these efforts and, **Mr Speaker**, I commend the Appropriation Bill 2024-2025 to the House.