

APPROPRIATION BILL 2025-2026
SECOND READING SPEECH
HON. DAVID W.R. ADEANG, MP
PRESIDENT
MINISTER FOR FINANCE AND SUSTAINABLE DEVELOPMENT
FRIDAY, 29 AUGUST 2025

Mr Speaker Sir,

I present before Parliament the *Appropriation Bill 2025-2026*.

Mr Speaker, Honourable Members, on behalf of the government, it is my pleasure and my privilege to present to this August House the Budget for the financial year 2025-2026, one that is framed not only in numbers but in the lessons of our nation's past, the challenges of our present, and the opportunities of our future. Our nation's economic growth is not just about numbers; it is about lifting people, families, and communities together.

Mr Speaker, the budget is again presented under unusual circumstances. A supply Bill was passed in May 2025, which allowed the Government more time to prepare the information presented before you today. Key information was provided in the intervening period, allowing the Government to be more transparent about critical revenue streams and to reflect key expenditure decisions which could not be fully disclosed under the usual budget timeframe.

Mr Speaker, the theme of this year's Budget is "**Leveraging opportunities for growth**". But at the heart of this Budget lies a deeper message—**sacrifice**. That is, if we save today and use the resources entrusted to us wisely, we will further safeguard the future of our children and generations to come. Dr. A.P.J. Abdul Kalam, former President of India, said, "Let us sacrifice our today so that our children can have a better tomorrow."

Growth can only happen with the effort of our people. The Government and wider economy have been burdened by poor productivity in our institutions, which is, in no small measure, related to poor health and educational attainment. We are seeking to unlock the potential of our citizens by addressing these issues head-on. When our economy grows with purpose, its benefits motion outward, lifting our communities, expanding opportunities and advancing our nation's collective prosperity.

Mr Speaker, Health is central to our nation's strength. We have spent heavily on **overseas medical referrals (OMR)**, and decades of repeating the same approaches to healthcare have yielded poor results. As of July 1st this year, our entire hospital and public health services will be operated by a private provider on a fixed-fee basis, with strict performance indicators and close monitoring by the cabinet. This arrangement, we believe, is unique in the world, and as such, it carries risks that may be difficult to quantify. However, we are convinced that this different approach is appropriate to ensure that our people and the economy can more easily reach our potential.

Mr. Speaker, Education remains our largest per capita investment—indeed, the highest in the Pacific.

In this budget, to address the high rates of non-attendance and poor academic results of recent years, the Government will invest in targeted measures aimed at improving these indicators.

One of these is discontinuing the annual secondary school scholarship. Historically, these have been designed to give Nauruans an opportunity to achieve a level of education that allows them to enter university. But today, with the great success of the QCE program at NSS, the funds for the “scholarships” will now be repurposed to offer tertiary and vocational scholarships to as many as sixty Nauruans to study in Fiji or other universities abroad. In the coming years, as these graduates return to Nauru, they in turn, will help transform the labour landscape and the overall productivity of our people.

Also, working closely with the Department of Education, Women’s and Social Development Affairs (WASDA), and Vocational Training and Professional Development (VTPD), funding will be made available to tackle truancy and attainment. Specific funds and activities are designed to provide supplementary training for the youth who have become estranged from the education system in recent years and for adults interested in improving their academic and vocational skills. There will also be greater enforcement of the law requiring school-aged children to attend daily classes. But let me be clear: government cannot do it alone. Parents and households must take greater responsibility for outcomes. The home is where education begins, and this Budget message must reach every household.

To elevate our work on Education onto the right footing, we will initiate a National Education Dialogue that will bring together policymakers, teachers, students, and parents to discuss how we arrived at our current state and how we can get to a better place as quickly as possible. Our growth is never just about numbers; it is about encouraging our young ones, families, and communities together to build themselves; an individual, family, and community-based engine of growth that collectively forge our economic resilience.

Mr Speaker, Preparations for the Micronesian Games should not be seen as merely ‘an event’. They are an investment in health, infrastructure, and national pride. Sports will be used as a platform to encourage healthier lifestyles, strengthen the social fabric of our nation, and transform our people’s health and productivity to further support our economic development and resilience.

Mr Speaker, our economy is unique in many ways. Standard economic methodologies may not always work here. Since our independence, our development journey has revealed to us, and now confirmed by the United Nations, the inherent vulnerabilities of our nation. Last year, the UN classified Nauru as the most vulnerable country in the Pacific, and the fifth most vulnerable in the world. This reality calls for new approaches. It requires us to attach the highest importance to economic diversification and to think and to work outside the box. Conventional development advice does not fit our unique context of smallness, remoteness, and fragility. And we need tailored solutions that recognise our constraints not as weaknesses, but as defining features of our developmental path.

Nauru is marked out by the structural nature of its vulnerabilities, which are largely unrelated to policy or governance issues. That suggests that our place on the index will not change with improved policies or better governance, but also tells us that we must work harder than most to achieve growth. Our prosperity will require supportive policies to accelerate investment in human capital, infrastructure, and improvements in the private business environment. As we are reminded, “A rising tide lifts all boats.” It is a simple image, yet a great truth. When our economy grows, it will not be the privilege of the few, but the promise of the many. And growth does not happen by chance. It requires choices and more importantly, it requires commitment to fairness so that our tide does not simply lift the largest ships while leaving the smaller boats behind.

The government has always taken the lead in Nauru. It is time for the private sector to step up. Our State-Owned Enterprises must deliver better value. Investments in shipping, for example, must translate into reduced transport costs and consumer price stability. Our SOEs, entrepreneurs, and foreign investors will be challenged to prove that they can be profitable without Government subsidies, concessions, and monopoly arrangements. We will encourage ‘out-of-the-box’ thinking and ideas and leave no stone unturned in our determination to establish and maintain our economic resilience, without which we cannot prosper. An initial measure has been taken to reduce cash support for SOEs, to expect dividends from profitable SOEs, and to commit to increasing dividend payments going forward.

Mr Speaker, New revenue streams have been developed and are now starting to bear fruit. The **Nauru Economic and Climate Resilience Investment Program** will provide long-term fiscal space for climate adaptation and development. This Citizenship by Investment Programme is drawing interest from far and wide. The first successful applicants are being issued new passports. We are assured by our private sector partners (Henley and Partners) that the flow of new applicants will steadily increase during the year. Projected revenues will exceed expectations after a slow start in 2024-25. I will also take this opportunity to assure Parliament and our people that the Government is fully aware of the reputational risks that programmes of this type bring. We have demonstrated and will continue to demonstrate that we operate the scheme to the highest ethical standards, ensuring that we have a gold-standard process that others look upon with respect and, perhaps, some admiration.

Mr Speaker, 2025-26 will see several key infrastructural milestones met. The new Fiber Optic Internet Cable landed on Nauruan soil this month and will be operationalised by the end of the year. The final commissioning of both the new port infrastructure and the solar farm will also occur in this financial year.

Each of these alone would bring significant additions to our core capability. Together, they provide a ‘once-in-a-generation’ boost to economic growth. Completion of these projects will open new avenues of revenue and import substitution for our nation, resulting in positive fiscal effects that will last for generations to come.

Mr Speaker, our economy is always open to novel ideas. We are currently exploring several such ideas with partners, both Government and private, that could bring wealth and sustainable growth to the economy. Further details will be available in the coming months, but I am confident that the scale of those opportunities will surprise many.

Nauru and Australia signed a Memorandum of Understanding on the Third Country Resettlement Arrangement this morning.

The financial implication stipulated under this arrangement is not reflected under this Appropriation Bill 2025-2026 due to closing of the budget period as of yesterday.

Under this arrangement, the Government of Australia has committed to support Nauru through an investment of AUD\$408 million initially. The capital fund will be distributed into the Nauru Trust Fund, to support Nauru's long-term economic resilience and the operationalisation of the agreement contingent to the cohort size received.

Australia will also support Nauru with an annual payment of around AUD\$70 million, for on-going costs.

The agreement shall be activated upon receipt of the first transferees.

Negotiations are also ongoing with business partners from China on developing our Phosphate reserves. This will again generate revenues on a scale that Nauru has not seen in many decades. Indeed, for the first time in 35 years, **Ronphos** will in this financial year contribute dividends to Treasury, supported by a commercial

partnership with Chinese investors and technology. Importantly, this is a **purely commercial arrangement**—without sovereign guarantees or Treasury exposure.

It is encouraging to see that Cenpac is also providing a dividend of \$1 million to the government for the first time, as well as a modest dividend of \$200,000 from Eigigu Procurement Limited (EPL). These three SOE's lead by example to show what all SOEs should aspire towards and should commit to – the delivery of services, contributions towards economic growth, and of course contribution to the national budget.

Mr Speaker, Rumours of the demise of our deep-sea mining aspirations have proven to be premature. We have strengthened our relationships with our private partner, the Metal Company (TMC), and on 4th June, we jointly announced the signing of a revised Sponsorship Agreement (the Agreement) between TMC and Nauru. The agreement guarantees the Republic of Nauru will continue to receive existing financial benefits, training and capacity building programs and in-country community and social programs. Together, over the past 14 years, we have worked to establish a responsible pathway for deep-sea mineral development. Nauru and NORI have taken a leading role in shaping the deep-sea mining industry. In accordance with the agreement, the Government of Nauru will channel the majority of the financial benefits into the Nauru Trust Fund, as a strategic measure to address structural vulnerabilities and to enhance the nation's long-term economic resilience. Looking ahead, Nauru remains committed to working with the International Seabed Authority (ISA) and will continue to sponsor NORI.

Mr Speaker, there is a remarkable amount of project activity happening all over the Island at the moment. The port development and solar farm projects are

progressing. Advanced preparations for upcoming projects include the urbanisation and water reticulation program with the Asian Development Bank. We must not forget the work underway to improve our airport runway, supported by Australia, and the ring road resurfacing projects, funded by Japan's green road initiative, and the Micronesian Game Sports Stadium supported by the People's Republic of China. We are again grateful to our development partners who are supporting us with these efforts.

Such investments are not short-term fixes; they are **fundamental enablers** of resilience and growth. These initiatives will broaden our revenue streams, reduce reliance on a single source, and lay the foundations for resilience. In addition, we continue our investment in the housing infrastructure. The Red-Zone housing project will see 11 houses constructed this year.

Mr Speaker, one of the most important enablers of our resilience and growth is our new banking relationship with the **Commonwealth Bank of Australia (CBA)**. There were doubts and concerns when Bendigo decided to leave Nauru, but these have now been allayed, and we look forward to an exciting future with CBA, which will surely bring an expanded suite of financial services to Nauru, and perhaps most importantly, resolve our long-standing correspondent bank issues. As you are all aware, the Commonwealth Bank officially launched in Nauru on 18 August 2025.

Still in the financial services sector, we are also exploring new financial platforms, such as the **crypto exchange initiative**, to expand our economic base. Our entry into the world of cryptocurrencies has generated lots of comment in the

international media. The Government would like to assure everyone that great care has been taken to ensure that the risks inherent in this new financial arena will be mitigated. We have employed a senior international expert in the field to manage our licencing body, and the legal frameworks are being drawn up such that we obtain significant future revenue while limiting the risks to our treasury.

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 further developing our fiscal rule policy framework, to provide high quality economic policy advice to the cabinet. This will provide the necessary guidelines that will steer our economy to sustainable growth while preparing it for the shocks we are sure to face in the future.

Sir, our financial performance and fiscal position are monitored closely by several international financial institutions. Our aim is always to exceed their expectations where we can, but also to continue to work closely with our local partners to find a more Micronesian or Pacific-based 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 will continue to challenge economic experts from all parts of the world to come up with better models and theories that will genuinely help us better understand and manage our economic circumstances. Our true measure of success will not just be found in statistics alone, but when the everyday lives of Nauruans are improved and they, too, feel empowered by our economy.

Mr Speaker, critical fiscal measures that bolster our reputation for budgetary caution are our commitment to continued funding of the Nauru Trust Fund (NTF).

I recalled my own experiences as a student in Melbourne during the 1980s, when our late founding President, His Excellency Sir Hammer DeRoburt, invited Nauruan students to present on the progress of the Nauru Phosphate Royalties Trust (NPRT). The intention of that Fund was clear and noble — to safeguard the future of Nauru and ensure that when phosphate could no longer sustain our economy, we would still stand on firm ground.

Mr. Speaker, that vision, through no fault of our founding father, was not fully realised. The missed opportunity is a lesson we must carry with us. For we know too well the hardships that followed the collapse of our economy in the early 2000s.

But today, we are blessed with a renewed opportunity. With the establishment of the Nauru Intergenerational Trust Fund in 2015, we have charted a new course. The guiding principle of the Fund has been consistent and clear: *to sacrifice today so that future generations of Nauruans will not endure the same hardships.*

This Government remains fully committed to strengthening and growing the Trust Fund as the cornerstone of our nation's long-term financial security. Our stewardship of the NTF is not only about prudent fiscal management — it is about honouring the sacrifices of past generations and delivering on our sacred duty to secure a better, more stable future for the children of Nauru.

The Nauru-Australia Treaty will bring in \$20 million in budget support each year for the next five years and we have taken the decision to deposit the full amount into the NTF.

From financial modelling based on the current valuation of the Fund, given the assumptions that the return levels are maintained (7% per annum) with annual contribution averaging no less than \$25 million, the fund will exceed \$1 billion in value by June 2034.

We have also decided to step up the clearance of outstanding Bank of Nauru debts. This will reduce our debt to GDP ratio and put us in a stronger economic position.

Mr Speaker, the 2025-2026 Budget recognises total expected revenue of **\$358.58 million**, a near 15% increase on the original budget for 2024-25 and appropriates expenditure of **\$358.55 million**. Our fiscal position will be monitored closely throughout the year, and mitigating measures will be taken as necessary, including through the mid-year budget review, and other measures that enhance transparency and accountability, especially for SOEs. This will help ensure that budget plans and execution are aligned and that both are linked to an unwavering commitment to value for money and increased productivity.

Our key **Fiscal Responsibility Ratios (FRR) from 2025-26 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 of total expenditure; 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 around **\$50.0 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. It is a substantial piece of work, and I must thank the Department of Finance for, once again, rising to the challenge of producing this most important of documents published by the Government.

In line with the 2025-2026 theme, the budget aims to allocate expenditures such that we can leverage the opportunities that are opening up. That means removing expenditures from certain areas such as CSO subsidies to our SOEs that will challenge them to prove their viability and future profitability. It also means investing money in both education and health to ensure that outcomes in both areas can be transformed. Health in particular will see a greater investment in this financial year as we transition to the new Public Private Partnership arrangement, which will deliver rewards both financial and health-related for many years to come.

Mr Speaker, Government is investing more than ever in our youth's Education to address the challenges we are all painfully aware of. In addition to the National Education Dialogue, we will focus attention on remedial work for those youngsters who have, for whatever reason, left the education system in recent years, dealing with the ongoing unacceptably high truancy levels, and improving the levels of academic attainment. Tertiary and Vocational scholarships provide a goal for students. Good infrastructure makes learning easier and more enjoyable. But neither of those things offer value for money if the students are not there, supported by their families, and inspired by their teachers. We will repair the damage suffered in recent years and find a Nauruan solution that fulfils our commitment to the youth and builds the platform for our continued prosperity. It is our responsibility to ensure that their dreams are not limited by circumstances but lifted by the foundations we lay for them.

Sir, our budget for the education sector is **\$24.92 million** a **4%** increase on the previous year. The budget includes funding to bring in teachers from neighbouring countries to complement the homegrown teachers that we produce. We provide housing, travel, and other benefits to make teaching in Nauru an attractive option for ex-patriates. We produce many great teachers of our own, but our small population and our general human resource requirements, means that we can never produce as many as we need.

Mr Speaker, our economy has suffered from poor health outcomes over many years. Sickness absences, the increasing number of people leaving the job market for overseas medical treatment, and early deaths all combine to reduce productivity. It is important to note that some studies have put the negative effects of sickness absence on productivity as high as 40%. A recent study overseas found that direct costs of sickness absence can costs as much as 16% of total wages. Extrapolating that to Nauru would render over 200 staff on the Government payroll practically useless. If we can reduce that number, we will not only save money, but we will also increase productivity, which will directly grow our economy.

To do this, our people must have access to the best primary, preventive, and medical healthcare services available. Our first-of-its-kind public-private partnership with a private provider will deliver that access. The results achieved already suggest that if anything, we may have underestimated the benefits this new approach will bring. **Sir**, during this period of transition, we expect overall health costs to increase to **\$44.5 million** (from **\$30.4 million** in 2024-25), but thereafter to reduce significantly, as our new provider moves up to full operational capacity.

Mr Speaker, As you know, Nauru has elected to host the next Micronesian games. This will be an opportunity to showcase our athletes and organising abilities, and we will task our public health experts to build a nationwide programme of activities that will improve the health and nutrition of our people. With our closest development partners, we will drive the broader health messages through participation in sports, advice on lifestyle changes, and support to alter eating habits. We believe that these are fundamental prerequisites to ensure a healthy and active population.

Mr Speaker, I know you and our parliamentary colleagues across the floor will join me in declaring Nauru sick and tired of being labelled the world's fattest or sickest nation. We can, and must change that perception and show the extraordinary determination and resilience that has been the true defining characteristic of our people during our time on this land. What defines us will not be the obstacles we encounter, but the way we choose to confront them with courage, dignity and with hope. The story of our people must not be one of surrender, but of persistence.

Sir, we are making a provision in the budget for an investment expenditure on the State House.

For far too long, our nation has carried on without a State House — the very heart of our sovereignty and the symbol of our unity. Since 1997, every President has served from private homes, adapting and sacrificing in ways that should never be the burden of our leaders. The construction of a permanent State House is not just about bricks and mortar; it is about giving Nauru a home for its democracy, a place where our culture, our governance, and our pride as a people can stand tall for generations. This will be the house of our nation — a lasting testament to our identity, our dignity, and our determination to shape a future worthy of our children. The Government is committed and working towards the construction of this State

House, ensuring that Nauru finally has a national home it deserves. In having a space where our leadership is accountable and governance is made visible; we shelter not just our democratic process but a form to our vision.

Mr. Speaker, this budget makes provision for the completion of the new government building, which will house the Office of the President, a cabinet room, the Finance department and the Justice department. This investment is critical to strengthening the institutional capacity of our public service, centralising government operations, and ensuring a secure, modern, and functional environment for decision-making at the highest level. This project underscores our commitment to enhancing the quality and resilience of public infrastructure, which is the backbone of effective governance and service delivery.”

Mr Speaker, like all responsible governments we must look after and protect the most vulnerable in our society. We will once again commit to providing an allowance for the aged and people living with disabilities. We must protect them not just for the present, but for the future as well. Their well-being is the true test of our humanity. To help ensure government employees have sufficient funds in their retirement, I am announcing an increase in the government’s contribution to employees’ superannuation accounts. From this financial year, we will double the employer’s contribution from 5 to 10% of gross earnings. This will benefit the vulnerable of tomorrow and provide our current workers with greater financial security and less worry in their retirement.

Sir, as extensions of the Government, our State-Owned Enterprises project an image of our nation to our own people and to the outside world. We must tread a difficult and narrow path that assures them of our commitment to support but also

challenges them to be profitable and provide a return on the nation's investment in them.

We have removed all community service obligations and tasked each of them to prepare new strategies that demonstrate not just their own commercial viability, but their profitability. With the continued support of ADB Technical Assistance, we will continue to strengthen SOE reform through investing in the Public Enterprise Monitoring Unit (PEMU) which is gaining in influence and capability every day.

Sir, as responsible economic managers, this government has also provided a **\$4.9 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 for which an additional **\$1.0 million** has been allocated.

Mr Speaker, there is no doubt that our fiscal and economic prospects are brighter now than they have been for several years. We know from bitter experience, though, that we cannot allow ourselves to become complacent. We will continue to seek new sources of revenue and to secure the fiscal space necessary to provide for our people. But we are also asking them for their direct support and to step up to ensure that we can fulfil our God-given potential. Engage fully in our National Education Dialogue, grasp the opportunity to improve our nation's health and nutrition in the aftermath of the Micronesian Games, and above all, take your place in the voting queue at the upcoming election and make your selection with the good of the nation in your heart.

Mr Speaker, Everyone has a role to play in building our Nation. People cannot sit down and wait for the Government to spoon-feed them. True progress comes when every citizen takes ownership and does their part to support the nation's development. The Government alone cannot transform our society — it requires the combined effort of all of us.

Parents, for example, play a vital role by teaching their children the importance of education and encouraging them to stay in school. Families should also prioritise health — eating proper healthy food, attending regular check-ups, and being active, exercising and participating in sports, to maintain well-being. Workers should be committed to attending their jobs consistently and giving their best effort, while students should focus on their studies and prepare themselves to contribute in the future.

Nation-building is not the sole responsibility of politicians. Every act of commitment and patriotism contributes to the bigger picture. When we work together, look after ourselves, and support one another, we build resilience and independence. As the saying goes, “All good work is done the way ants do things: little by little.” True progress rarely comes in great leaps; it is built step by step, task by task, through resilience. It is in these steady acts, day after day, our nation's achievements grow.

I invite, I encourage, I urge, each one, and all Nauruans to rise to the challenge to stand on our own feet. Be proactive, be patriotic, shoulder our common burden and our National vision of making Nauru economically resilient, now and into the future.

Despite our vulnerabilities, despite our challenges, despite all the obstacles that may present themselves in our development journey towards economic resilience, we can collectively overcome all. Because in the famous words of my own people – **WE NEVER NEVER GIVE UP.**

Mr Speaker, I commend the Appropriation Bill 2025-2026 to the House.