

SECOND READING SPEECH

SUPPLEMENTARY APPROPRIATION BILL 2010-11

Hon. Dr. Kieren Keke, MP

21 December 2010

Mr Speaker and Honourable Colleagues,

Today I table before the Parliament the 2010-11 Supplementary Appropriation Bill.

The global economy remains in a state of nervousness as emerging news from both the United States and Europe bring the feeling that things could be better in both continents. Nauru is facing an increasingly brighter future in spite of the setbacks arising from the ongoing global economic crisis.

With the completion of mooring project, phosphate earnings are expected to dramatically pick-up due to both the increase in size of phosphate vessels and increased frequency of the ships coming to Nauru. This together with the world phosphate markets remaining favourable to phosphate producers means that we are confident that government revenue will be much healthier than otherwise.

The purpose of the Bill I place before the House today, is to supplement the appropriations made at the time of the 2010-11 Budget to allow for projects funded by donors, the details of which were not available at the time the 2010-11 Budget was developed. All these projects are fully funded by donors and their expenditures are fully offset by donor revenues. The Bill also provides for a small amount of additional expenditure by Departments in areas that have emerged since the 2010-11 Budget and which are unavoidable.

After expenditure adjustments in this, the net impact of changes since Budget results in a **revised budget surplus of \$652,712** after taking into consideration the \$900,000 cash surplus at the start of the financial year.

The Government of Nauru is also receiving benefits from numerous donors through the Department of Commerce, Industry and Environment and the Department of Health. These new as well as ongoing projects come from many sources.

Through the Department of Health, the Government of Nauru is receiving a number of grants for projects mainly directed to improve public health. This includes \$240,000 from the Global Fund to raise awareness of HIV and tuberculosis on Nauru, \$142,000 from the Secretariat of the Pacific Community (SPC) for their ongoing project to combat non-communicable diseases. The World Health Organisation (WHO) is also supporting the Department of Health, through a grant of \$75,000 that will see improvement of the Health System, particularly aimed to improving public access to health information.

Through the Department of Commerce, Industry and Environment, the Government of Nauru is receiving a total of \$1,033,932 from a number of regional environmental and agricultural programmes.

Of this, the United Nations Environment Programme (UNEP) is providing \$31,000 to support the “Ozone Depleting Substance” project. This project oversees the monitoring and phasing out of CFC’s (refrigerants) and HCFC’s that damage the ozone layer.

The Food and Agriculture Organisation (FAO) is providing grants of \$59,000 for the Food Security and Sustainable Livelihood Programme, which aims to improve production and food security in Nauru.

The Global Environment Facility (GEF), through the Pacific Islands Applied Geosciences Commission (SOPAC) is providing additional funding for the Integrated Water Resources Management (IWRM) project.

The South Pacific Regional Environment Programme (SPREP), through its regional programme, the Pacific Adaptation to Climate Change” project, is providing additional funds of \$357,000 to support its project in Nauru.

The United Nations Development Programme (UNDP) is providing \$357,895 this financial year to support four projects in Nauru. These include the Sustainable Land Management Project (SLM), the National Nursery Project, the Second National Communication (SNC), and the National Biodiversity Strategy and Action Plan (NBSAP).

Mr Speaker, today’s Bill also recognises some additional spending funded by grants from the Australian Government and the Republic of China (Taiwan).

The Australian Government is funding a further \$246,000 for the establishment of the Nauru Entrepreneurship Development Centre (NEDC). This project aims to develop the private sector in Nauru, by providing micro-finance loans as well as provided training and advisory support of new and small businesses.

The Australian Government, through the Australian Sports Commission, is also providing an additional \$185,000 for the “Epon Keramen” Program in Nauru.

At Budget, funding of \$2.8 million from Taiwan was identified in the Estimates. Since then, a number of activities which attract funding have been agreed, and these grants are in addition to the allocation included in the Budget. These new activities included funding for the Mobile Money project, and the Small Business Development project.

Mobile Money project:

With an absence of a much needed banking facility in Nauru, and Government’s priority put on restoring financial services for Nauru, the proposed Mobile Money project will enable customers to send and receive money locally as well as pay retailers, suppliers etc via their mobile phones. It also has the opportunity to set up disbursement of payments such as salaries, or Utilities bills for example. An allocation of USD\$ 300,000 has been allotted for the implementation of this project.

In the long term, it could provide other financial services such as access to bank accounts overseas or a special e-savings club account (which builds interest) as well as international money transfers. This will further diversify the financial services availability to all Nauruans.

The Mobile Money concept has been launched in other Pacific Island Countries, namely Fiji and Tonga and discussions are underway with Vanuatu and Samoa. A 6 week implementation/mobilisation period will be required to get this up and running with the chance that Nauru could have this new service launched by the middle of 2011, subject to timely finalisation of necessary negotiations and agreements.

Microfinance:

This allocation of USD\$200,000 shall be applied to finance the Business Development Centre Project by providing microfinance loans – mainly to farmers.

Agricultural Development Fund (ADF) Micro-grant Facility (USD\$40,000) -

The targeted beneficiaries of the ADF Micro-grant Facility will be micro-farmers or home gardeners whose produce is primarily intended for household consumption. Each micro-grant will take the form of an in-kind grant of no more than AUD\$500, which can only be provided once to each recipient. To be eligible for this funding, all applicants will have to attend and complete several tailor made courses. After a screening process conducted by CIE and the

Taiwan Technical Mission, the micro-grant will be given to successful beneficiaries. Monitoring and Evaluation will be conducted based on production rates of crops and animals, health and growing conditions of crops, seedlings loss rate and yields.

NEDC Agricultural Microcredit Facility (\$USD160,000) –

Under this Facility, there will be a maximum loan of up to AUD\$4,000 which can be drawn upon by farmers. There are two types of loan on offer

- (1) Working capital loan (AUD\$2,000)
- (2) Flex equipment purchase loan (AUD\$2,000)

A 10% interest rate will be applied to this loan when it becomes operational in January 2011. The generated revenue will be used for operational funds for the chicken farm with remaining revenue going to small, kitchen-sized garden farmers.

Mr Speaker, a small number of expenditure needs have emerged since the commencement of this financial year that, for various reasons, were not provided for at the time of the Budget.

The Department of Justice will require an additional \$50,000 in legal fees to fund external legal costs expected for the ongoing Yen Bonds Case in Japan. Further, there are expected new legal costs to close off matters relating to the properties leased by the former Nauru Local Government Council (NLGC) in Majuro, as well as a few other small matters that will require the engagement of external lawyers.

Unanticipated higher costs of travel and accommodation internationally, has required additional funds for business travel for His Excellency the President of Nauru. The cost of the President and his delegation's recent travel to attend the United Nations General Assembly in New York, as well as costs associated with the High Level UN Conference on Climate Change in Cancun, were higher than anticipated. An additional \$28,700 is now provided for under this provision.

The Government has also agreed to fund the drafting of a "Cabinet Handbook". A total of \$25,000 will be allocated to engage a consultant to prepare a Cabinet Handbook that records the conventions, procedures and rules of Cabinet, including procedure for the development and approval of Government policies and their implementation including through draft government legislation.

Mr Speaker, today's Supplementary Appropriation provides for a significant number of donor-funded expenditure that will not place a burden on Nauru's

fiscal resources. There remains a significant challenge for Nauru to manage its own meagre resources.

Mr Speaker, with the support and assistance of our donor partners being provided for under the Bill being debated today, Nauru is being provided with services and facilities that it could not afford in its current reduced financial circumstances.

I trust Members will appreciate the value of this external support and in so doing, support this Supplementary Appropriation Bill.

I commend the Bill to the House.