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March 22, 2017

**Statement by Mr. Alogeel and Mr. Alhomaly on Republic of Nauru
(Preliminary)
Executive Board Meeting
March 24, 2017**

1. We thank staff for an informative report and Mr. Choi and Ms. Preston for their helpful Buff statement. We welcome the opportunity to discuss the first Article IV consultation with Nauru. Since we broadly agree with the thrust of staff assessment, we would limit our comments to the following few points for emphasis.
2. With regard to fiscal policy, we concur with staff on the importance of maintaining adequate cash buffers and making sufficient contribution to the new Nauru Trust Fund, with a view to ensure fiscal sustainability and provide the needed liquidity. In this respect, we are encouraged by the authorities' commitment to fiscal discipline and prudent debt management and their plans to restrain non-priority spending and improve budget transparency, including by publishing the audited government financial statements. On the same note, we welcome the progress made in developing the tax system and encourage additional efforts to further mobilize revenue and enhance public financial management (PFM). In this connection, the progress made in improving the budgetary framework, including by submitting government financial statements for audit, is a step in the right direction. Nevertheless, we encourage the authorities to address the weaknesses identified by the Public Expenditure and Financial Accountability (PEFA) assessment, primarily through strengthening the audit and oversight function.
3. We take positive note of the authorities' efforts to diversify the economy and support sustainable growth and development, despite the challenges faced in terms of the limited sources of growth and income. In this regard, the establishment of the Trust Fund, which aims to provide long-term fiscal financing and support future generations, is a step in the right direction. In addition, in light of the important role that SOEs play in Nauru's economy, we join staff in encouraging the authorities to continue reforming SOEs, with the aim of reducing their fiscal burden and enhancing governance and accountability framework.

4. Finally, we welcome the progress made in promoting financial inclusion and developing the financial sector, and the steps taken to improve tax transparency and avoid a G20 blacklisting. Furthermore, we note with concern the challenges with health-related issues, and agree that efforts should continue to combat non-communicable diseases and address other relevant issues, including by preserving public spending on healthcare.

With these remarks, we wish the authorities all the success.