

**EXECUTIVE
BOARD
MEETING**

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Supplement 1

January 7, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Nauru—Staff Report for the 2019 Article IV Consultation—
Informational Annex**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Wednesday, January 22, 2020
Publication:	Yes*
Questions:	Ms. Kaendera, APD (ext. 39881)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Asian Development Bank, Food and Agriculture Organization

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**



REPUBLIC OF NAURU

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

January 6, 2020

Prepared By

The Asia and Pacific Department
(In consultation with other departments).

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FUND RELATIONS

(As of December, 2019)

Membership Status: joined April 12, 2016; Article VIII

General Resources Account:

	SDR Million	Percent Quota
Quota	2.80	100.00
IMF's Holdings of Currency	2.12	75.71
Reserves Tranche position	0.68	24.32

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocations	0.86	100.00
Holdings	0.18	20.96

Outstanding Purchases and Loans: None

Financial Arrangements: None

Projected Payments to Fund

(SDR Million; based on existing use of resources and present holdings of SDR):

Forthcoming					
	2019	2020	2021	2022	2023
Principal					
Charges/Interest	0.01	0.01	0.01	0.01	0.01
Total	0.01	0.01	0.01	0.01	0.01

Exchange Arrangements

The de jure and de facto exchange rate arrangements are classified as no separate legal tender. Nauru's legal tender is the Australian dollar. There is no central monetary institution. Nauru has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions.

Technical Assistance

Nauru has been benefitting from the Pacific Financial Technical Assistance Centre's (PFTAC) technical assistance (TA) in recent years with the largest concentration in the public financial management (PFM) sector. Technical assistance provided by PFTAC has assisted with the introduction of a Revenue Administration Act and an Employment and Services Tax Act, both of which became

effective from October 1, 2014. Further legal TA, by way of PFTAC funding, facilitated the introduction of a Business Tax Act (BTA). The new BTA imposes a business profits tax, small business tax, non-residents tax, and an international transportation business tax. Methodologies for producing more comprehensive and timely national income and balance of payments statistics have also been developed.

Resident Representative:

The Regional Resident Representative Office for Pacific Islands is based in Suva, Fiji and was opened on September 13, 2010. The office covers Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Ms. Leni Hunter is the current resident representative.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS (IFIs)

Information on the activities of other institutions in Nauru can be found at:

- World Bank Group:
<https://projects.worldbank.org/en/projects-operations/projects-list?searchTerm=nauru>.
- Asian Development Bank:
<https://www.adb.org/countries/nauru/main>.
- Pacific Financial Technical Assistance Center:
https://www.pftac.org/content/PFTAC/en1/reports11.html#tab_5.

STATISTICAL ISSUES

Nauru: Table of Common Indicators Required for Surveillance As of December, 2019	
I. Assessment of Data Adequacy for Surveillance	
<p>General: Data provision has serious shortcomings that significantly hamper surveillance. Nauru became an IMF member in April 2016, and during the membership preparation in 2014-15, the authorities compiled data with the support of Pacific Financial Technical Assistance Centre technical assistance (PFTAC TA). Most macroeconomic data remain unpublished even though they are provided to staff. Despite additional recruitment, the capacity of the National Bureau of Statistics (NBS) is limited, and Nauru has continued to rely on technical assistance and donor support in compiling data.</p>	
<p>National accounts: Annual GDP estimates have improved with the support of PFTAC TA. The latest TA mission in May 2019 assisted the NBS with the implementation of new data sources for the compilation of annual GDP. The TA report indicated that the NBS should increase the number of staff for compiling the macroeconomic statistics, and improve data sources during the next rebase of national accounts in 2021.</p>	
<p>Price statistics: The NBS compiles the quarterly CPI with the reference year 2015. However, the latest PFTAC TA in 2019 found that the CPI data has some shortcomings related to the prices of imported motor vehicles. There are no producer, wholesale, or trade price indices.</p>	
<p>Government finance statistics (GFS): The MoF with the assistance of contractual expatriates currently aim to compile and disseminate GFS. Nauru reported budgetary central government GFS for the first time in 2018 with significant assistance of PFTAC. The lack of timely, accurate and quality data continues to hamper the progress of GFS compilation. The MoF relies on TA from PFTAC to ensure data are compiled and disseminated.</p>	
<p>Monetary and financial statistics: There are no monetary and financial data statistics available since the financial sector is still in early stage of development. Nauru uses the Australian dollar as legal tender and does not have a central bank. There was no bank in Nauru over the past decade until Bendigo Bank agency opened in Nauru in June 2015. The agency provides financial services (mainly deposits, but no loans and no foreign exchange transactions) on behalf of Bendigo and Adelaide Bank Limited of Australia.</p>	
<p>External sector statistics (ESS): The annual balance of payments and international investment position statistics were compiled for the first time in 2014 with the support of PFTAC as part of the IMF membership preparation. Recent external sector statistics (ESS) technical assistance (TA) mission (June 2019) found important shortcomings in the data sources used for the compilation of ESS, especially in the formatting of custom data, and the coverage of private sector corporations and the Nauru Super Pension (NSP) scheme transactions and positions.</p>	
II. Data Standards and Quality	
At present, Nauru does not participate in any of the IMF's Data Standards Initiatives.	No data ROSC are available.

**Nauru: Table of Common Indicators Required for Surveillance
(As of December, 2019)**

	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷
Exchange rates ¹	12/04/2019	12/04/2019	D	NA	NA
International reserve assets and reserve liabilities of the monetary authorities ²	12/2016	01/2017	M	Q	NA
Reserve/base money ³	NA	NA	NA	NA	NA
Broad money ³	NA	NA	NA	NA	NA
Central bank balance sheet ³	NA	NA	NA	NA	NA
Consolidated balance sheet of the banking system	NA	NA	NA	NA	NA
Interest rates	NA	NA	NA	NA	NA
Consumer price index	09/2016	01/2017	Q	Q	Q
Revenue, expenditure, balance and composition of financing ⁴ —general government ⁵	FY 2018	NA	NA	NA	NA
Revenue, expenditure, balance and composition of financing ⁴ —central government	FY2018	09/2019	M	Q	NA
Stocks of central government and central government-guaranteed debt ⁵	FY2018	09/2019	A	A	NA
External current account balance	12/2018	7/2019	A	A	A
Exports and imports of goods and services	12/2018	7/2019	A	A	A
GDP/GNP	FY2015	10/2016	A	A	NA
Gross external debt	FY2016	10/2016	A	A	NA
International investment position ⁶	12/2018	6/2019	A	A	A

¹ Nauru uses the Australian dollar as its legal tender.

² Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).