

A: REVIEW OF SECTOR GOALS, STRATEGIES & MILESTONES

ECONOMIC SECTORS

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COMMERCE AND INDUSTRY

Short-term Sector Goals Primary phosphate mining completed	Short-term Strategy: Restructure and refurbish company and mining infrastructure, including proper utilisation of the maintenance reserve fund
	Milestone: Short term: By 2007 \$5m and by 2008 \$8m dividend paid to Government after payment of cash and trust fund royalties to land owners and \$2m set aside in maintenance reserve Medium term: By 2009-2015 yield of one million mt phosphate pa with \$11m dividend to Government after maintenance fund and royalties paid

Milestone has been partially achieved

RONPHOS was created on 1 July 2005 with the objective of revitalising phosphate mining and resuming exports providing revenue for the Government and community. As part of the creation of RONPHOS, the company was restructured and capital equipment was refurbished.

Restructuring

- A number of utilities functions were removed from RONPHOS. These included power generation, water supply and distribution, fuel supply and port infrastructure.
- The workforce was significantly reduced from around 1,700 in June 2005 to 700 at the end of August 2005. This was achieved through the repatriation of I-Kiribati and Tuvaluan workers as well as retrenchment of local workers. Since that time the board of RONPHOS resolved to cease further redundancies, but achieve further staff cuts through natural attrition. Current staffing levels of RONPHOS stand at less than 400.
- The restructuring of RONPHOS was completed prior to the beginning of 2007-08 with the appointment of an expatriate Managing Director (MD). However, he did not complete his two year contract and was replaced by a temporary MD for the first three months of 2007-08. Since then the company has been operating without a MD.

Refurbishing equipment

- In 2006 RONPHOS borrowed \$5 million to refurbish the loading bridge processing plant and the railway tracks. This was completed by April 2006. The refurbishment of the drying plant was also completed in mid 2006 under the IPL/RON agreement. Two kilns were refurbished and new dust trapping units were installed to reduce dust emission. Second hand mining equipment was also bought under the Agreement and this helped in RONPHOS being able to mine and deliver phosphate to the drying plant.
- Since that time, RONPHOS has spent a further \$3.2 million on the above as well as the cantilever delivery system. In the 2009-10 fiscal year, RONPHOS has budgeted a further \$6.14 million (13 per cent of the budget) to repairs and maintenance.

- Despite the implementation of these repairs, production of phosphate was slow and this was hampered by repairs to the mooring system in the first half of 2006. The first shipment of phosphate took place in October 2006. Unfortunately the loading encountered a mishap with the ship being grounded on the reef and sustained damages. The Nauru mooring system was condemned and Nauru port was black-banned by Lloyds of London. To lift the ban it was required that the system be tested by a Lloyd registered marine surveyor. This took another six months to certify the moorings system and RONPHOS started to ship phosphate in April 2007.

Exports of Phosphate

2006-07

The following table shows each export shipment of phosphate from Nauru during 2006-07.

Exports of Phosphate (2006-07)

Date	Purchaser	Quantity (tonnes)
23 October 2006	Getax	12,460
21 April 2007	Incitec Pivot	27,032
6 May 2007	Getax	18,000
9 May 2007	Samsung	6,200
TOTAL		63,692

2007-08

Despite exports increasing considerably in 2007-08 (see table below) RONPHOS was not able to meet the milestone of paying \$5m dividend to the Government and setting aside \$2/mt of phosphate sold to the Maintenance Reserve Fund (MRF). This is due to RONPHOS operating at a loss.

Exports of Phosphate (2007-08)

Date	Purchaser	Quantity (tonnes)
15 August 2007	Getax	16,150
24 August 2007	Incitec Pivot	27,259
4 September 2007	Samsung	7,200
19 October 2007	Getax	20,900
7 November 2007	IPL	26,985
14 November 2007	Getax	21,300
6 December 2007	Getax	21,000
31 December 2007	Getax	22,000
6 January 2008	Samsung	7,550
20 January 2008	Getax	17,450
24 January 2008	Getax	22,770
24 February 2008	Incitec Pivot	30,500
9 March 2008	Getax	21,600
21 March 2008	Getax	19,250
5 April 2008	Getax	21,500
TOTAL		303,414

2007-08

The price of phosphate was still low at the beginning of 2007-08 and bulk of the income was directed to the repayment of the IPL refurbishment loan and the loan from Getax for general operational expenses since the sales proceed were deducted by the buyers. The loans were settled in the course of the financial year. Payment of royalties commenced once the loans were extinguished. However there were insufficient funds to be directed to the MRF.

2008-09

At the beginning of 2008-09 the milestone of paying a dividend of \$8 million appeared to be achievable. Price of phosphate tripled and the USD/AUD exchanged rate was also favourable. In fact although the Government budget targeted a dividend of about \$5 million, the RONPHOS budget estimated over \$12 million. The anticipated rate of payment into the MRF was increased from \$2/mt to \$8.45/mt and monies were set aside from July shipment onwards. The targeted export was 600,000 mt.

RONPHOS was on course to meet the export target having shipped 250,360 mt in the first six months of the year. The “bubble” burst in November 2008 and RONPHOS felt the brunt of the Global Economic Crisis from December onwards with only 49,649 tonnes sold in the second half of the year for a total sales of only 301,191 tonnes (49.5 per cent of target) – see table below. Accordingly, only \$0.75 million was paid to the Government as an advance dividend.

Debt payment was implemented in the course of the financial year and the back log of payments to landowners for rent and royalties have been cleared.

Exports of Phosphate (2008-09)

Date	Purchaser	Quantity (tonnes)
3 July 2008	Samsung	11,160
15 July 2008	Getax	22,850
6 August 2008	IPL	27,175
12 August 2008	Getax	21,100
20 August 2008	IPL	30,800
13 September 2008	Getax	23,650
26 September 2008	Getax	23,500
24 October 2008	Getax	25,150
4 November 2008	Getax	23,157
12 November 2008	IPL	27,300
30 December 2008	Getax	15,700
16 April 2009	Samsung	10,499
11 May 2009	Getax	13,000
15 May 2009	Getax	9,000
29 May 2009	Getax	17,150
TOTAL		301,191

Short-term Sector Goals Established the technical and financial feasibility of secondary mining and commenced output	Short-term Strategy: Reinvest surplus revenue in 2006 in operations to ensure 1mt pa capacity from secondary mining
	Milestone: Short term: Viable value added industries determined Medium term: Viable value added industries operating

The milestone has not been achieved

The rehabilitation of mined out land of which secondary mining is a by-product is behind schedule by at least 24 months. The recent delivery of mining equipment has allowed the NRC to simultaneously mine primary land while undertaking the rehabilitation of the demonstration site known as pit no. 6 comprising around 5 hectares. Extraction of secondary phosphate has not commenced in pit no. 6 let alone raising the output to 1 million tonne per annum.

Determination of viable value added industries will not take place for at least 2 years.

Short-term Sector Goals Established the technical and financial feasibility of secondary mining and commenced output	Short-term Strategy: Conduct tender for feasibility study of value added industries including super-phosphate and phosphoric acid plants
	Milestone: none in NSDS

No activity has been taken in regards to the short-term strategy

The short-term strategy will have to be reviewed in the light of logistics and the issue of safety with regards to the importation, discharge and storage of sulphuric acid on the island required to manufacture these products.

Short-term Sector Goals A substantial part of Nauruan diet is sourced from locally produced food	Short-term Strategy: Utilise technical assistance to develop local food production
	Milestone: Short term: Two nurseries successfully feeding district projects with seedlings Medium term: 70 percent of average Nauruan diet from locally produced food

Milestone has been partially achieved

The short term milestone has been partially achieved. Three nurseries were established in 2006 but there were land tenure issues (see below).

- Bern Dowow residence in Buada was the first nursery built. However, a landowner dispute meant that it was subsequently closed.
- Paul Kun residence in Nibok established a root crop nursery. This is still operating despite the lack of a land agreement. The future challenge will be to prepare this agreement.
- Mason Dick residence in Meneng established a banana tissue culture nursery. This is still operating despite the lack of a land agreement. The future challenge will be to prepare this agreement.

Although these nurseries have been providing food to districts, there are a number of issues arising from the approach adopted in Nauru which has resulted in conflict amongst communities. In particular, in relation to the distribution of seeds and garden materials there is conflict within communities over who keeps them, how to use them, when they can be used and so forth.

An alternative approach is being investigated which involves planting fruit trees around the Island. These fruit trees are low in maintenance but high in production which is very suitable to Nauruan culture. Most of these fruit trees will be produced locally and some may be imported in tissue cultures which are low risk in pests and diseases than raw introduction.

Short-term Sector Goals	Short-term Strategy: SPC DSAP – Three year national scale food production program that feeds into district level	
	Milestone:	<p>Short term: One plantation per district operating successfully</p> <p>Medium term: Two plantations per district operating successfully</p>
A substantial part of Nauruan diet is sourced from locally produced food		

Milestone has been partially achieved

This milestone was partially achieved initially but due to drought and disagreement amongst communities these projects were not sustained.

District plantations were established, one per district and were operating successfully until the drought of 2006 resulted in the loss of most of these plantations in most of the communities. Since that time many communities have lost interest in these projects.

In addition, these plantations created significant disagreement amongst the community over ownership issues. In particular during each distribution of seeds or garden materials members of community committees claimed these materials were owned by them and not the community. When community members changed previous community members were not willing to hand agriculture materials to the new member. This resulted in community plantation not being maintained and sustained.

<p>Short-term Sector Goals</p> <p>A substantial part of Nauruan diet is sourced from locally produced food</p>	<p>Short-term Strategy: FAO – two plus seven year kitchen garden program at the district level for HH and livelihood</p>
	<p>Milestone: Short term: 20 percent of HH have successfully operating kitchen gardens</p> <p>Medium term: 60 percent of HH have successfully operating kitchen gardens</p>

Milestone has not been achieved

For the same reasons why the previous two milestones dealing with nurseries and plantations have not been fully successful has meant that this milestone has also not been achieved.

When HH kitchen gardens were first introduced there was significant interest in them, but this was not sustained because of the large workload required to maintain the gardens and a scarcity of water. Landowner disagreements have also prevented these gardens from operating successfully.

<p>Short-term Sector Goals</p> <p>A substantial part of Nauruan diet is sourced from locally produced food</p>	<p>Short-term Strategy: AusAid – assist HH's set up kitchen gardens with water storage, seedlings and advice</p> <p>Taiwan – agriculture and aquaculture assistance for food production over 5 years</p>
	<p>Milestone: Short term: Complementary assistance provided in agriculture and aquaculture</p>

This milestone has been achieved

The FAO, SPC and Taiwan have provided significant assistance in these areas.

FAO:

- HH kitchen garden (TCP/NAU/3101)
- Banana tissue culture (TCP/NAU/3100)
- Telefood project (TCP/NAU)

SPC:

- DSAP project

TAIWAN:

- Distribution of pigs to communities

- Distribution of poultry to communities
- Visits to local farms providing advice and treatment
- Workshop with communities (lessons on planting, livestock and cooking)

Aquaculture:

FAO and Taiwan have played a major role in this area

<p>Short-term Sector Goals</p> <p>A substantial part of Nauruan diet is sourced from locally produced food</p>	<p>Short-term Strategy: Set up a Resource Centre for agriculture and aquaculture producers with advice and manuals and facilities for computer down loading of information</p>
	<p>Milestone: none in NSDS</p>

This milestone has not been achieved

This resource centre has not been established primarily due to the lack of capital (eg. computers, office space) and local expertise in setting up such a facility.

<p>Short-term Sector Goals</p> <p>Commercially viable alternative livelihood ventures established</p>	<p>Short-term Strategy: FAO - Establish in communities commercially viable piggeries, duck and poultry (egg production) and agricultural companies</p>
	<p>Milestone: Short term: Commercially viable Business Incubator operating 40 percent of local demand for pork and poultry products met from local production</p> <p>Medium term: The community in each district has an average of 2 new businesses that are commercially viable 70 percent of local demand for pork and poultry products met from local production</p>

Milestone has not been achieved

This milestone has not been achieved due to a delay in other telefood FAO project. However, these milestones appear overly ambitious as not all farmers can equip their farm to meet

40 per cent of demand because of the prohibitive cost of feed for livestock and lack of animal husbandry skills.

Short-term Sector Goals Commercially viable alternative livelihood ventures established	Short-term Strategy: Set up Small Business Incubator to provide advice and assistance to new SMEs
	Milestone: Short term: Feasibility study completed, land lease negotiated and facility completed Medium term: Incubator successfully operating with 20+ businesses operating

Milestone has not been fully achieved

The Government is currently in the process of recruiting a long term business specialist who will be based in Nauru for two years to establish the Business Development Centre and commence work with the entrepreneurs on island. The delay in achieving this milestone has been due to departmental reshuffles.

Due to the delay in appointing the long term business specialist until late November 2009, the Government with UNDP has identified a short term consultant. At this stage the Government envisages that the Centre should be operational by mid September 2009.

Short-term Sector Goals Commercially viable alternative livelihood ventures established	Short-term Strategy: Rejuvenate the Small Business Owners Association (SBOA)
	Milestone: Short term: SBOA has 20+ members and holds regular meetings Medium term: SBOA Micro-finance facility operating successfully with 40+ members

Milestone has not been achieved

The Nauru Private Business Sector Organization (NPBSO) was opened in 2008. At the moment NPBSO does not have a large number of members due to delay in finalising its constitution. The Pacific Island Private Sector Organization visited Nauru in 2008 to strengthen the bond between the Government and NPBSO so as to work side by side to establish a Small Business Owners Association (SBOA).

Short-term Sector Goals	Short-term Strategy: India - Provide opportunities for cottage industry through provision of small machines e.g. oils, hook making, soap
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Commercially viable alternative livelihood ventures established	<p>Milestone: Short term: Tender round successful in identifying start-up cottage industry</p> <p>Medium term: 6 small scale manufacturing businesses viably operating</p>
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Milestone has been partially achieved

The Government has received assistance from the Forum's offices (PTIC) in Sydney and Auckland as well as the FAO's telefood to address cottage industry development. As a result a number of projects have been established in Nauru.

- PTIC – Ikirira, Trika, Noni Juice projects.
- FAO – poultry in some districts.

<p>Short-term Sector Goals</p> <p>A small but growing tourism trade achieved</p>	<p>Short-term Strategy: Undertake tourism scoping study</p>
	<p>Milestone: Short term: Study completed and website established</p> <p>Medium term: Niche tourism developed to cater for eco-tourism, game fishing, diving and site-seeing</p>

Milestone has been partially achieved

The development of a tourism scoping study is currently underway, but is not yet complete. This study is currently in a data gathering phase through a number of avenues.

- The draft tourism survey questionnaire for communities and individuals has not been distributed.
- The draft tourism survey questionnaire for visitors needs to be discussed with Nauru's hotels (in particular the Menen Hotel).
- The audit report on tourism products is not complete. Main products being investigated include deep sea fishing, sight seeing and game fishing.

To accomplish the short term milestone, a consultant is required to complete this study. In the 2009-10 Budget the Nauru Tourism Office was allocated resources necessary to progress the surveys and collect data. It is likely the study will be complete by 2011.

The www.discovernauru.com website was established through the South Pacific Tourism Organisation (SPTO) but it is currently out of date.

Short-term Sector Goals A small but growing tourism trade achieved	Short-term Strategy: Improve accessibility for tourists	
	Milestone: Short term:	Legal and administrative impediments to tourist entry removed Small tourism industry taken hold

Milestone has not been achieved

Achieving this milestone is dependent on completing the tourism scoping study (see previous strategy). In particular the scoping study will determine necessary regulations and policy to protect the environment, cultural aspects, health and other issues affected by tourism.

That said, the Department of Immigration has completed a visitors arrival form and this is currently with the Nauru Tourism Office for comment. In 2009 the NTO and Department of Immigration will be collecting data on visitors to Nauru.

FISHERIES

Short-term Sector Goals Improved Overall Fisheries Management	Short-term Strategy: Training of fishermen in management and other fisheries related skills such as outboard repairs, boat building etc Educate local fishermen in conservation and economics of fishing Seek external assistance from SPC, OFCF, EU and others to expand the scope of training for Nauru fisheries and to raise the number of participants in such training
	Milestone: Short term: Implement a 5-year Human Resources Development Plan in a number of areas Medium term: A competent Fisheries management and technical team functioning

Milestone has been partly achieved

A five-year HRD Plan was developed for the stated areas in 2005, but it was not possible to fully implement because of the financial constraints imposed on the NFMRA Fund in 2005. However, with external assistance, particularly from SPC's Coastal Fisheries Programme, several components of the HRD Plan were implemented, including fishing skills workshops, safety at sea training, and several resource management training courses.

The AusAID Fisheries Management Institutional Strengthening Project (which commenced in October 2008) will revise the fisheries HRD Plan and will itself contribute substantially towards the major goal of "improved overall fisheries management" by way of several strategies.

Fishing Skills

Workshops and training in fishing skills of various methods have been conducted and introduced to local fishers. Train the trainer programs have been established although financial constraints have limited the conducting of local workshops and training programs.

- 2005 – Workshop on various methods of fishing on outboard motor boats-vertical/horizontal longline, squid jigging, night-fishing, paluhaihi, ika-shibi and bottom-fishing.
- 2007 – Workshop on canoe fishing skills (use of chum bag).

Seafood Quality & Processing

On World Food Day, NFMRA participates by presenting different seafood dishes using trial aquaculture products and wild seafood. NFMRA also advises fishers of maintaining the cold chain to preserve fish. Bleeding, gill and gutting are also advised.

Conservation

NFMRA constantly advises the public on responsible fishing practices. Community awareness programs were implemented and leaflets were distributed on avoiding catching lactating female species ie. lobsters carrying eggs.

<p>Short-term Sector Goals</p> <p>Oceanic fisheries. Revenue from fishing licences and access fees maximised</p>	<p>Short-term Strategy: Maximise economic returns from access and fishing licences with bilateral partners</p>
	<p>Milestone: Short & medium term: Maximised sustainable yield from fisheries resources</p>

Milestone has been achieved

The yield from tuna fisheries resources has been maximized – there is a higher level of tuna catch per unit area in the Nauru EEZ than in any other Pacific Island country, and this yield is sustainable, according to internationally-agreed measures of sustainability (provided that the high level of catch of highly migratory species in Nauru continues to be balanced by much lower levels of catch per unit area in several other Pacific Island EEZs). Note that “maximum sustainable yield” is not so much a milestone along the way, but a goal that needs continual active effort to be continually achieved.

Although yield has been maximized, there are other mechanisms for increasing revenue beyond simply increasing the amount of catch. Nauru is working with other PNA countries to more tightly manage the catch of canning tuna in the western Pacific in order to obtain increased returns from the same level of fishing. There appears to be scope for at least doubling revenues in the short term, if PNA countries can work together, as well as opportunities (under other NSDS goals) for making returns from investment in the fishery as well as taking resource rents.

Short-term Sector Goals Oceanic fisheries. Revenue from fishing licences and access fees maximised	Short-term Strategy: Apply stringent conservation regulations in the management of tuna stock in our region
	Milestone: Short term: Establish funded surveillance effort in EEZ with neighbouring island countries Medium term: Established a joint venture purseiner operation with Marshall Islands and Kiribati

Milestone has not been reached

There are still no Subsidiary Agreements under the Niue Treaty on joint surveillance activities between Nauru and neighbouring island countries, although drafts have been exchanged and one (with FSM) is on the point of signature.

However, the milestone contained in the 2005 NSDS is only one of the reference points for progress in the application of the strategy of applying “stringent conservation regulations”, and there has been considerable achievement in related areas, including implementing new regulations, establishing a national vessel monitoring system, and working with other PNA countries to considerably tighten up the management of regional tuna stocks.

It should be noted that the goal of maximizing revenue from access fees is not closely correlated with the strategy of applying more stringent conservation regulations. In fact in some cases licencing revenue is likely to be increased by *relaxing* conservation regulations. Increased revenue should however result from an increased level of prosecution of fisheries law infringements by foreign fishing vessels, and from making sure that full payments are made by vessels that would otherwise be poachers.

Short-term Sector Goals Commercial Fishing. Develop quality fish for export	Short-term Strategy: Assess feasibility and affordability of developing supportive infrastructure in terms of water supply, fuel, cooling facilities and airfreight services
	Milestone: Short term: 1,000kg per month of fish produced for sale at the fish market 1,000kg a month of sashimi grade tuna exported Medium term: 3,000kg per month of sashimi grade tuna exported

Milestones have not been reached

The Goal of developing high quality export fisheries can be approached through other strategies, including encouraging and supporting the private and non-government sectors. Natural resources could also support a small but commercially-feasible live aquarium fish export business and these could be milestones for the next cycle of the NSDS.

Producing 1,000kg of fish per month for sale at the fish market is not an appropriate milestone for the goal of “developing quality fish for export”, however local fish supply, and local protein food security is definitely an appropriate goal for commercial and artisanal fishing.

Short-term Sector Goals	Short-term Strategy: NFC restructured and business plan operational
	Milestone: Short term: NFC achieves breakeven after depreciation and funding costs
Commercial Fishing. Develop quality fish for export	

Milestone has not been achieved

Feasibility studies and appraisals have been undertaken and have led to the conclusion that NFC was not commercially viable and in early 2008 it was closed. This was decided to be the only way that it might achieve breakeven in the current Nauru socio-economic climate – taking into account the depressed state of the regional longline export fishery, the Japanese sashimi tuna import market and higher airfreight costs. However, private-sector led commercial fisheries development will continue to be encouraged.

Short-term Sector Goals	Short-term Strategy: FAO – clean out pests and restock Buada and Anabar Lagoons with fish
	Milestone: Short term: 1,800kg of fish produced per annum Medium term: 10,000kg of fish maintained yield per annum
Adequate fisheries supply to satisfy local demand ensured	

Milestone has been partially achieved

Nauru has historically a traditional culture in aquaculture of milkfish (*Chanos chanos*) in the natural inland lagoons such as in Buada and Anabar. The introduction of Mozambique Tilapia (*Oreochromis mossambicus*), a resilient fish species in the 1960s led to the demise of traditional milkfish farming as these Mozambique Tilapia became competitors to milkfish for food and predators to milkfish fries transferred from the sea into the lagoons.

The first efforts to eradicate the Mozambique Tilapia was done through the United Nations Food and Agriculture Organization (FAO) in 1979 to 1980 within an enclosed portion of Buada lagoon but was not successful. In 1991 FAO conducted a milkfish pilot project in the same portion of Buada lagoon and again attempted to eradicate the Mozambique Tilapia unsuccessfully. In 2005 the Secretariat of the Pacific Community (SPC) conducted a study that reviewed techniques and practices in controlling the Tilapia population and identifying methods which may have practical applications in Nauru including a national tilapia plan. The study acknowledged that eradication of Mozambique tilapia in Nauru, which is considered a pest, will be a difficult and costly exercise that does not guarantee success. The study suggested an approach to control tilapia population and to farm both tilapia and milkfish might be more appropriate.

Fish produced per annum

Buada Lagoon Owners Association (BLOA) commenced with the introduction of 10,000 milkfish fries in early 2000 and harvested an estimated 5,000 adult fish months later. Average fish weight was between 600-700g. BLOA added more milkfish fries several times throughout the years that followed and by August 2005 an additional 6,550 fries had been released into Buada lagoon. In 2006 an estimated around +1,500 were harvested and the average weight was between 600-700g and quite a few weighing between 1.2-2kg.

BLOA has since stopped its activities of releasing milkfish fries into the lagoon and harvesting because of pond landownership disputes. However, a new BLOA has since been formulated and they have accessed a small grant aid via Nauru Island Association of Non-Government Organizations (NIANGO) to dredge Buada lagoon pending an Environmental Impact Assessment (EIA).

Anabar lagoon aquaculture development has not been achieved due to poor access which can be dealt with easily, however no progress has been made on starting this project due to financial constraints. There is also the concern of pond landownership issues

In terms of Nauru's coastal fisheries it is estimated that more than 1,800kg of fish are produced per annum. A recent regional analysis synthesised several previous surveys to conclude that coastal fishery production (small-scale commercial plus subsistence) was in the region of 650,000kg per year. Note that most of this fish comes from nearshore oceanic fisheries rather than reef fisheries.

Short-term Sector Goals	Short-term Strategy: ROC project to develop a variety of commercial fish farms	
Adequate fisheries supply to satisfy local demand ensured	Milestone: Short term:	5-year aquaculture development plan implemented Medium term: Coastal fisheries: Fuel price incentives for fisheries related activities applied

Milestone has been partially achieved

A 5-year aquaculture development plan is in place. However, most of the goals of that plan have not yet been achieved and the plan itself – developed at a time when NFMRA had greater resources – needs to be reviewed and its feasibility reassessed. The short term milestones in the 5 year aquaculture development plan which have been achieved are as follows.

Research & Development

Technique for eradication of Mozambicus Tilapia trials were conducted in 2006. Trials done at Kun Menke's residence (Meneng-natural pond) and Giovanni Gioura's residence (Anetan-natural pond). The method of eradication included drainage of water, capture of Tilapia, applied Tea Seed Cake powder, collected remaining dead Tilapia, dredged natural ponds and introduced Tilapia the following day when the ponds re-filled itself with water. Unfortunately Tilapia has since reappeared in both ponds.

While this strategy is directed at the ROC we note there are other organisations which have shown an interest in aquaculture. For instance, the FAO expects to be able to address a strategy of rehabilitating milkfish production in Buada and other lagoons before the end of 2009.

Community Development

The Nauru Aquaculture Association (NAQUA) has been established. In recent times due to the turnover of some key personnel NAQUA is not fully functional at the moment.

Training

Some training of staff had been done. In 2007 staff were sent to Nadrouloulou Aquaculture Station in Fiji to learn about farming GIFT Tilapia.

Short-term Sector Goals	Short-term Strategy: ROC project to develop a variety of commercial fish farms	
Adequate fisheries supply to satisfy local demand ensured	Milestone: Short term:	Fish aggregating devices deployed and maintained

Milestone has been achieved

Fish Aggregating Devices (FADs) have been deployed and maintained. NFMRA holds the Pacific record for the longevity of one of its FADs.

FADs come in different shapes and forms i.e. drifting logs or man-made FADs anchored in an area, which attract fish in the ocean. FADs provide shelter and food for herbivorous fish, which in turn attract predators, which in turn attract larger predators and so on. Man-made FADs require designing, materials, tools and labour to build. Surveys of ocean-bed contours and depth need to be conducted to assess best location for deployment. Equipment required for surveys include echo sounders, GPS receivers, computers, fuel and vessel. Hiring of Port Authority equipment (ie. cranes, barges and rafts) are required for the deployment of FADs. Once these are done, fishers are informed and assessment of catch and effort are conducted to assess the success of FAD design in attracting fish (by data). This requires transport to collect data from fishers at various time of day/night at port of return (ie. Gabab channel, Anibare Community Boat Harbour, etc). FADs are also subject to wear and tear and can be lost due to adverse weather conditions, accidental removal or tampering. FAD maintenance requires qualified scuba divers to assist. Therefore it is a continuous project of checking, redeploying and deploying new FADs in an old or new location both inshore (not far beyond the reef) and offshore (further from the reef).

5-7 FADs need to be maintained around the Nauru coast at all times, in order to improve sea-safety and reduce searching time and fuel-usage by small boats

The main activities in relation to Fish Aggregating Devices (FADs) since 2004 is as follows.

2004

- Deployed 3 FADs. One off the shore of Yaren, Ijuw and Ewa/Anetan.

2005

- Re-deployed 2 FADs, one each off the shore of Yaren and Ijuw

2006

- No FADs activity.

2007

- Deployment of 7 new inshore FADs. On 5 July two in Meneng (MenIF1 and MenIF2), one in Ijuw (IjuF1), one in Ewa (EwaIF1), one in Baitsi (BaiIF1) and one in Denigomodu (DenIF1). On 5 August one in Anibare (AniIF1).

2008

- Deployment of 3 new inshore FADs. On 19 February one in Baitsi (BaiIF2), one in Boe (BoeIF1) and one in Anibare (AniIF2).
- Maintenance and assessment of all FADs. Scuba divers used to search for missing FADs where FADs were last deployed to verify status.

2009

- On 8 May redeployed Anibare Inshore FAD #1 (AniIF1). On 10 July improvements were made to AniIF1.
- On 10 July monitored Yaren Offshore #1 (YarOF1) and Ijuw Offshore #1 (IjuOF1). FADs in good condition
- Baitsi (BaiIF1 and (BaiIF2) and Denigomodu (DenIF1) FADs confirmed missing.

Short-term Sector Goals Aquaculture and mariculture developed	Short-term Strategy: Expand research on breeding and other species of fish and other marine extracts to secure sustainable food source
	Milestone: Short term: Local fisherman's association with community participation established and to the community

Milestone has been partially achieved

The Nauru Tuna Fishermen's Association (NTFA) was established in 2004 but there are no records on any development or progress until 2008 when Forum Fisheries Agency (FFA) fisheries advisor visited Nauru and re-established the NTFA which was later changed to the Nauru Fishers Association (NFA) to represent all fishers rather than just tuna fishers.

Nauru Fishers Association (NFA) was established in 2008, as an umbrella body to represent the interest of local fishers in the private sector on issues such as fisheries development and safety. NFA is in the process of preparing an organizational chart of its structure including its membership and proposed services and a business plan to develop a centralized location where fishers can acquire anything they require to fish (ie. fishing tackles, bait, ice and fuel at a reasonable price) and an outlet to sell their catch to the general public.

Community Based Fisheries Management (CBFM) is a means of empowering communities in management of their coastal marine environment and resources. This began as a pilot project in 2006 with Meneng District. In 2008 the project was expanded and Denigomodu and Baitsi

district communities became the next districts where communities were consulted. The purpose of the project is to determine views of each district community on the problems and constraints they face including their various needs with regards to coastal fisheries management. Some outcomes of these consultations have been introduction of canoe building training projects for community fishers.

Inshore FADs design, construction and deployments came from community based needs to encourage fishers to fish beyond the reef flat to lessen fishing effort on the reef flats.

ENVIRONMENT

Short-term Sector Goals Rehabilitation of the mined land	Short-term Strategy: Complete trials	
	Milestone: Short term:	Trials completed, Work Plan signed off with AusAid, equipment purchased and 60ha rehabilitated
	Medium term:	Rehab self-funding from operations

All the milestones have been achieved except for the rehabilitation of 60ha of mined out land

The additional mining equipment has been purchased and was delivered in February 2009.

NRC has started rehabilitation of 5 ha of land as a demonstration site. This will be followed by the 13 ha national cemetery site which will take at least 18 months to develop. The rate of land clearing of primary pinnacles has been slower than expected due to substantially more material being removed than projected.

The work plan has been signed off with AusAid in January 2009. This is a requirement under the Rehabilitation and Development Cooperation Agreement (RADCA) signed in 1994 establishing the two coordinating authorities – AusAid for the Government of Australia and NRC for the Government of Nauru. The Agreement sets out the ways and means that the two coordinating authorities are to implement the Nauru- Australia Compact of Settlement (NACOS) Treaty.

Short-term Sector Goals Rehabilitation of the mined land	Short-term Strategy: Negotiate Work Plan with AusAID for use of NACOS funding to purchase heavy equipment and commence rehabilitation	
	Milestone: Medium term:	300ha catchment on NW of the island developed including 124ha reclaimed for agricultural production, 1.5ha nursery, 34.5ha reservoir and 140ha conservation area

This short-term strategy has been achieved

A work plan for the use of the NACOS funding has been agreed by Nauru and AusAid.

Short-term Sector Goals The reef and coastal waters restored to maximise sustainable yield	Short-term Strategy: Establish reserve area/s to determine baseline data
	Milestone: Short term: 4ha of reserve/s established and operating successfully Medium term: 80 percent of maximum sustainable yield of fisheries obtained

Milestone has not been reached

The short-term milestone of having established 4ha of marine reserve(s) and operating successfully by 2008 has not been achieved. This is because public consultations at the community level have not been completed. Community Based Approach to Fisheries Management (CBFM) and Ecosystems Based Approach to Fisheries Management (EAFM) are relatively new approaches to managing coastal marine environment and resources.

To date only three communities have been consulted and the NFMRA Board of Directors declared a minimum of seven communities need to be consulted before further action is considered. Lack of human resources, transport and finance to host consultations has been a contributing factor.

CBFM empowers coastal communities to participate in monitoring and looking after their respective coastal areas with the support of Government and EAFM takes into account habitats and ecosystems in a coastal area that is critical to survival of living marine resources (ie. breeding grounds of different species), therefore special care should be taken to protect such areas. This method complements CBFM and encourages the use of local fishers to assist with finding such sites as they'd be the most knowledgeable of these facts.

A legal basis for the establishment of community-managed protected reef areas has been drafted with assistance from SPC but has not yet been approved by the NFMRA Board for laying before Parliament. Nauru remains the only Pacific Island country without Marine Protected Areas.

Short-term Sector Goals Available regional resources better utilised for Nauru's specific needs	Short-term Strategy: Undertake a review of Nauru's environmental legislation, status and priorities
	Milestone: Short term: Environmental review completed. New environmental legislation passed Medium term: Nauru drives the environmental program

Milestone has been partly achieved

A draft of an Environment Management Bill has been prepared. However, the current draft still requires further work before being presented to Parliament. In particular, the current draft lacks the necessary regulations on a number of specific environmental issues.

In addition, for the legislation to be sound and able to be successfully enforced a thorough review of the specific environmental issues needs to be undertaken especially on the status and priorities which was wider than anticipated when the initial draft was prepared.

FINANCE

Short-term Sector Goals	Short-term Strategy: Maintain government fiscal objectives
	Milestone: Short & medium term: Fiscal objectives achieved
A stable macroeconomic environment conducive to private investment established	

Milestone has been achieved

In the 2004-05 Budget the Government of Nauru adopted a medium-term fiscal strategy based on three fiscal objectives. Since that time, this strategy has been achieved.

- Fiscal Restraint – the Government keeps the budget in balance or surplus through reductions in expenditure, moderate increases and diversification of revenues, and focusing funding on core areas of government services and NSDS priorities.
 - Since 2004-05, Nauru’s budget has been in surplus (details are in the separate milestone dealing with the budget balance).
 - Spending is tightly controlled to ensure that budget is available before any moneys are spent, cash flow forecasting is also being implemented to better track cash balances and plan expenditures.
 - Also beginning to focus on improving revenue processes to ensure all revenues are collected.
- Sustainable Service Delivery – The Government and its Departments focus on sustainable objectives, ensuring that basic services such as hospitals, schools, and law and order are maintained.
 - In the annual budget process, all proposals need to be scrutinized to ensure that they are consistent with the NSDS. Significant resources have been devoted to basic services. For instance, in nominal terms since 2004-05 funding to health, education and law and order has consistently increased and accounts for around one quarter to one third of total expenditures (see table).

Spending on Health, Education and Law and Order⁽¹⁾

	\$ million	Percent of total expenditure
2004-05	\$3.38	34.6
2005-06	\$4.37	20.3 ⁽²⁾
2006-07	\$6.28	27.4
2007-08	\$8.58	31.8
2008-09	\$8.01	23.9
2009-10 ⁽³⁾	\$14.57	25.2

- (1) Law and Order includes Police, Justice and Judiciary.
- (2) Reduction due to other unexpected one-off expenditures (eg. aircraft purchase).
- (3) Estimate provided in the 2009-10 Budget.

- Debt management – In the medium and longer term, the Government strives to generate small surpluses to commence repaying outstanding trade and sovereign debts that would result the loss of key services to Nauru or result in costly legal action.
 - Despite the fragile position of Nauru's finances, it has commenced repaying (albeit small amounts of) debt to both internal and external creditors:

	Debt Repayment (\$)
2004-05	Nil
2005-06	309,182
2006-07	231,165
2007-08	9,420
2008-09	718,406
2009-10*	1,375,000

* Estimate provided in the 2009-10 Budget.

- With the assistance of AusAid, in April 2007 Nauru prepared a comprehensive debt management strategy (see Debt strategy/milestone for further information).

Short-term Sector Goals	Short-term Strategy: Maintain price control in monopoly areas through Prices Control Board
A stable macroeconomic environment conducive to private investment established	Milestone: Short & medium term: Prices stable

Milestone has been mostly achieved

The Prices Control Board (PCB) which was established under the *Price Control Act 2004* had not been functioning since its inception. This is due to the significant bureaucratic demands which were required of the Board under the Act.

In 2008 the Government replaced the *Price Control Act 2004* with the *Prices Regulation Act 2008* (the Act) which contained streamlined mechanisms whereby to monitor and regulate prices. Under these arrangements the Prices Control Board process was replaced by a process whereby the Minister for Finance (on recommendation by the Secretary for Finance) can set prices for declared goods, as well as impose temporary rationing orders.

- These arrangements under the new Act have been effective in maintaining price control in monopoly areas. For instance, in September 2008 there was a severe rice shortage in Nauru and the Minister under the Act imposed both price and quantity restrictions on the sale of rice. These restrictions were effective in ensuring the orderly distribution of rice at non-inflated prices to the community.

In addition, for the first time in many years, in September 2008, the Bureau of Statistics published a measure of Consumer Price Index (CPI) for Nauru, and has provided monthly CPI updates since that time. The Bureau of Statistics is forecasting an annual inflation rate, starting from the base period of August 2008, of 3.5 per cent, with recent months since August 2008 showing virtually zero inflation. The Bureau will continue to produce monthly CPI reports throughout 2009-10 and beyond.

The greater availability of data on prices through the production of regular CPI data will assist the Government in identifying the existence of monopoly pricing behavior. It is important to also develop measures in the production aspect of the economy and not just the household spending part. The Bureau in the near future will look to produce other key factors of pricing such Import Price Index (IPI) and Wholesale Price Index (WPI) which envisages capturing measures of volume, prices, and better information on values of domestic services, production and use. This information will provide a better picture for government in determining factors to be considered for regulatory measures.

<p>Short-term Sector Goals</p> <p>A stable macroeconomic environment conducive to private investment established</p>	<p>Short-term Strategy: Develop aid budgets as part of the national budget cycle</p>
	<p>Milestone: Short & medium term: Aid Budget presented as part of National Budget</p>

Milestone has been mostly achieved

Nauru's national budget now includes extensive information on aid programs and funding. This includes information on the source of the funding, the amount, and the areas of development it is directed to.

The inclusion of donor support alongside domestic funding in the budget helps to naturalize the donor programs into the national government budgeting processes thereby increasing controls on the management of donor funds. This is important in that it ensures that all Government spending (irrespective of their source) is directed to development goals in a coordinated way.

However, there remain some donor partners who still prefer to manage their funding for projects in Nauru and these are not quantified in the budget. However, for these donors and programs the budget documents do present the narrative of the donor's overall aid program in Nauru.

Short-term Sector Goals A stable macroeconomic environment conducive to private investment established	Short-term Strategy: Link aid programs and national budget appropriations to development goals
	Milestone: Short & medium term: Aid programs linked to national development goals through the NSDS

Milestone has been achieved

The process for allocating donor funding to national projects emphasizes the need to link aid programs to national development goals.

In the NSDS agenda, the government committed itself to include donor cash support in the budget, centralize development planning in the Development Planning and Policy Division (DPPD) and aid coordination in the Aid Management Unit (AMU) thus improving the aid transparency and visibility provided to Nauru.

All projects are screened by the DPPD to ascertain their relevance and contribution to the achievement of the NSDS priorities. All budget submissions for new project proposals and new spending require departments to show linkages to the NSDS. However, capacity in the DPPD and AMU needs to be strengthened for them to be fully-effective.

Subsequently, the Aid Management Policy approved by Cabinet in 2005 specifically underscores the need to link development assistance to national development goals and priorities.

Short-term Sector Goals Major economic and social indicators for Nauru prepared	Short-term Strategy: Compile benchmark indicators of GDP, BOP, Demographics, HIES, Prices and Wages
	Milestone: Short term: Key indicators regularly published Medium term: Indicators updated regularly and published Additional supplementary indicators prepared and published

Milestone has been partially achieved

Nauru has commenced producing data on Consumer Price Index (CPI), trade data, Household Income and Expenditure Survey (HIES) and demographics and health. It has not as yet produced data on wages or Gross Domestic Product (GDP). However, the Nauru Bureau of Statistics workplan anticipates commencing production of the GDP and national accounts measures late this financial year, with the assistance of donors. Further details are below.

Since 2006, the Nauru Bureau of Statistics has revitalised most of its key functions by obtaining the baseline information required. This information was obtained from the mini census in 2006, Nauru's first Household Income and Expenditure Survey (HIES) in 2006, and the Demographic Health Survey (DHS) in 2007.

Consumer Price Index

For the first time in many years, in September 2008, the Bureau of Statistics published a CPI measure for Nauru, and has provided monthly CPI updates since that time. The development of this measure was made possible by the baseline data provided by the HIES. The Bureau will continue to produce monthly CPI reports throughout 2009-10 and beyond.

Trade Data

A key focus for the Bureau of Statistics in 2009-10 will be the development of economics and trade statistics, with the intention being to develop a measure of the balance of payments and national accounts.

Assistance has already been sought from SPC and PFTAC with these tasks. In this instance training seminars and technical assistance have been utilized by the bureau to achieve this goal. Whereas, SPC shall provide TA for reviewing GDP, GNI and assisting in formulating a framework for national accounts for calculating relevant economic indicators such as GDP and GNI and others. PFTAC shall at a later visit Nauru to review the latest development of these accounts and measures.

The Government will also approach the Government of New Zealand for assistance to implement the PC Trade software on Nauru, including training for relevant staff both in Customs and also the private sector, namely the importers. This software has been successfully deployed in other Pacific Island Countries, including Tuvalu, Niue and Kiribati. The implementation of PC Trade on Nauru to capture trade data will provide a means to monitor a vital revenue system in a more transparent and efficient way.

Demographics and Health Survey

In July 2009, the Bureau of Statistics launched the preliminary results of its 2007 Demographic and Health Survey (DHS), undertaken with the support of the Secretariat of the Pacific Community. The final report with the complimentary fact sheets are now available from the Bureau's website and office, this include the actual report circulated to various stakeholders and key government agencies. The report includes details on the health of Nauruan women and children and demographic characteristics of the population in general. The information contained in this publication will help the Department of Health and other line agencies to determine its priorities and allocate resources in future years to address issues in areas.

Forward Work Program

The Bureau has finalised its first Strategic or Forward Work Plan since its establishment in 1992. A stakeholders meeting will be subsequently held to achieve a shared understanding of the workplan and requirements set within. Finalizing the workplan is expected to place after the stakeholders meeting. This is to ensure that any relevant input can be incorporated to keep the document as relevant as possible. The formation of this forward work plan will not only aid the Bureau in keeping track of its current and future work programs, but assist the government and potential donors in planning to secure resources for important and essential statistical operations.

The forward work plan commits to the following production schedule:

- Annually – Social and economic indicators, including CPI, GDP and GNI. There will be an Annual Fact Sheet and Statistical Yearbook.

- Quarterly – Trade and social statistics, along with disaggregated CPI.
- Monthly – Trade balances and aggregated CPI.

While all of these reports cannot be produced in the short term due to capacity constraints, the Government is committed to developing these statistical measures and reports in the medium term. To boost capacity, the Government will be approaching donor partners to seek assistance in undertaking these surveys.

- In 2009-10 priorities will include improved reporting and analysis of economic and trade statistics, which will be supplemented by the acquisition of PC Trade software and the utilization of technical assistance from statistical partner agencies. The Bureau will also work more closely with the Department of the Chief Secretary and other key line agencies to develop improved social statistics, particularly in relation to births, deaths and migration.
- In 2011, the Bureau will undertake another HIES, building on the last survey undertaken in 2006. This will be critical for re-benchmarking current national accounts statistics and economic indicators.
- In 2012, the Bureau will undertake a National Population and Housing Census for the 2010 round of censuses, which will mark a new baseline population for future indicators and capita measures.
- In 2014 the Bureau will undertake a Business and Labour Force Survey which will establish the first baseline measure of all business and labour activities based on international standards and classifications for national accounts purposes.

Short-term Sector Goals	Short-term Strategy: Coordinate all donor aid to Nauru
	Milestone: Short & medium term: Aid donor input to Nauru transparent to all
A coherent planning process for Nauru's economic and social development established	

Milestone has been partially achieved

Since 2005, donor programs and assistance have been included in the national budget. Throughout the years, the inclusions in the national budget have become more detailed and in-depth thereby addressing the objective for transparency in aid coordination and management. However to fully achieve this milestone, there is a need to commence the development of annual financial reports detailing aid receipts.

Short-term Sector Goals Sustainable government finances maintained	Short-term Strategy: Maintain budget surpluses
	Milestone: Short term: Budget surplus achieved Medium term: Budget surpluses and increased domestic investment levels maintained

Milestone has been achieved

Since 2004-05, Nauru's budget has been in surplus, and it is noteworthy that in the current global economic environment Nauru is predicting a budget surplus in 2009-10 when most other countries will be in deficit. Since 2004-05 the Government has registered the following surpluses:

	Budget Surplus
2004-05	\$1.58 million
2005-06	\$2.83 million
2006-07	\$1.31 million
2007-08	\$3.54 million
2008-09	\$0.22 million
2009-10*	\$50,000

* Estimate provided in the 2009-10 Budget.

Short-term Sector Goals A small and efficient public sector which contributes to and does not crowd out private sector activity	Short-term Strategy: Reduce the size of the Government sector
	Milestone: Short term: Government spending as a percentage of GDP reduced by 25 percent Medium term: Government spending as a percentage of GDP reduced to comparable levels in the region

Milestone has not been achieved

Due to the absence of an estimate of GDP it is not clear whether government spending has been reduced as per this milestone. Indeed, with the inclusion of donor funding into the budget documents (in 2005-06) nominal expenditure has increased substantially since 2004-05 (see table). However, this is appropriate for Nauru as all of the donor funding and much of the domestically funded spending was on development priorities consistent with the NSDS.

	Total Expenditure
2004-05	\$11.4 million
2005-06	\$21.6 million
2006-07	\$22.9 million
2007-08	\$27.0 million
2008-09	\$33.5 million
2009-10*	\$57.8 million

* Estimate provided in the 2009-10 Budget.

In addition, since 2004-05 the number of public servants employed by the Government has largely remained unchanged (see table below). This has been due to the need to maintain essential and new Government services so as to deliver programs. In addition, the fact that the Government is the main employer in Nauru and the absence of a growing private sector or welfare system, wholesale public service cuts will result in large numbers of people becoming destitute.

Number of Central Government Employees (at 30 June)

	Government Employees
2004	1,242
2005	1,277
2006	1,205
2007	992*
2008	1,127
2009	1,209

* This reduction is due to the abolition of the Department of Public Works and the Computer Bureau as well as the repatriation of Ikiribati and Tuvaluan workers on 1 July 2006. In 2008 most of these employees were subsequently re-employed elsewhere in the public service.

However, the Government has introduced a number of measures to curb the growth of the public sector:

- A moratorium was placed on recruitment and vacancies in 2004-05 in view of the bloated public service. This policy is still in place.
- The public service salary review was undertaken in 2004-05 with a view to rationalising the public service salaries and adopting affordable salary rates for staff. The new revised scales (which are significantly lower) came into effect on 1 July 2006.

<p>Short-term Sector Goals</p> <p>A small and efficient public sector which contributes to and does not crowd out private sector activity</p>	<p>Short-term Strategy: Review and implement reforms to Financial Management legislation, regulation and policy</p>
	<p>Milestone: none in NSDS</p>

Milestone has not been achieved

Due to lack of capacity and heavy workload in the Department of Finance no formal review of financial management has occurred. In 2008 the Department of Finance prepared a draft Public Finance Bill, however the Bill will not be introduced to Parliament until it has been redrafted to take account of the interrelated constitutional amendments (see below). It is anticipated that the Bill will be passed and the new financial management architecture will be implemented in the

2010-11 financial year. In 2009-10 there will also be a focus on examining tax administration legislation and improving revenue law.

However, despite the formal review having not yet occurred and new financial management legislation having not yet been finalised, financial management processes have been significantly improved since 2004-05. Checking and authorisation procedures for Government expenditure have been strengthened with all proposals for spending being checked against budget appropriations and requiring supporting documentation. Importantly, the Government is now operating on a new corporate online banking package, which enables better access to account balances and simplifies the procedures involved in making online payments (and dispenses with the need for an Australian-based accounts manager).

In addition, in 2006 the Government commenced a process of Constitutional reform which is principally aimed at improving the transparency and accountability of Nauru's public institutions, and many of the proposals are concerned with strengthening the finance provisions of the Constitution to achieve greater fiscal accountability. On 21 August 2009, Parliament passed the two constitutional amendment bills. One of the bills, which includes a proposed amendment to Articles 58 (concerning the Treasury Fund), will require approval by referendum before it can commence. The other bill, which includes numerous amendments and additions to the finance and audit provisions of the Constitution, does not require approval by referendum. The relevant constitutional amendments to the finance provisions will commence on the day of the next general election, which, if the current Parliament serves its full three year term, will be in May or June 2011. These constitutional amendments will result in the office of Director of Audit being strengthened, improved financial reporting and new requirements in relation to the annual budget and appropriation.

Looking forward there are a number of other reforms to financial management in the pipeline.

- With assistance from AusAid, the Government of Nauru has rolled out the MYOB accounting software package in five State Owned Enterprises (SOEs), being the Menen Hotel, RONPHOS, Utilities, the Nauru Rehabilitation Corporation and Eigigu Holdings Corporation. Implementation of MYOB in the SOEs has assisted in providing a more structured approach to financial transactions processing and reporting to management. During 2009-10, the Government of Nauru will also migrate its own accounts and payroll function across to MYOB.
- An AusAid funded consultant has commenced a review of the Australia-Nauru Operational Imprest Account (OIA) Procedures Manual, which provides the guidelines, rules, protocols and procedures to be used in the operation and governance of the OIA to ensure that financial management.
- For the 2009-10 financial year the Government is also planning to re-commence publishing audited public accounts (last published in 1998-99).

Short-term Sector Goals	Short-term Strategy: Redirect aid flows towards long term investment away from operating cost subsidies
	Milestone: Short term: More aid flows directed to investment Medium term: Aid inflows as a percentage of GDP comparable to levels in the region
Aid dependency reduced	

Short term milestone has been partially achieved

Much of Nauru's donor aid is directed at long term investment projects which are linked to NSDS goals and priorities. These include building up labour capital through capacity building in areas such as finance, education, health, justice, media, police and foreign affairs. In addition, significant donor aid is also directed at physical capital projects. Of note in recent times are the construction of the new Nauruan Secondary School, school refurbishment program, installation of pre-paid electricity meters, hospital capital program and improved IT hardware/software for the Government sector. Technical Assistance has also been directed to improving regulatory systems including strengthening the Financial Investigations Unit and developing the instruments to establish a new Nauruan Intergenerational Fund.

While there is still a significant amount of donor assistance which is directed towards operating costs such as direct financial assistance to the national budget and diesel for power generation, as capacities in Nauru are improved this assistance should decline over time.

- For instance, the introduction of pre-paid electricity meters will result in a greater proportion of operating costs for Utilities being funded by Nauruans which are currently funded by donors (eg. maintenance at the power station and fuel for the generators).

The main obstacle in meeting this milestone fully is that Nauru is still in a very early stage of its development. Most of these long term investments are recent undertakings and Nauru has some years to achieving stability in capital works. Another factor is relatively low capacity. This is illustrated in the placement of in-line officials for senior management positions in most public service and other agencies.

Medium term milestone not achieved

Due to the absence of a measure of GDP, this milestone cannot be measured at this time. However, it is likely that the relative level of aid delivered into Nauru is significantly greater than other Pacific island countries. As noted above, this is due in part to the fact that Nauru is in a very early stage of its development.

Short-term Sector Goals A revenue system which is efficient, equitable, simple, reliable and transparent introduced	Short-term Strategy: Introduce a broad based flat rate import duty	
	Milestone:	Short term: Broad based import duty introduced Medium term: Domestic taxation base broadened through taxes on income, capital and financial transactions Progressive elements to the tax system introduced

Milestone has been partly achieved

While there are a few exceptions (in particular fresh fruit and vegetables and water and some goods for personal use), in general all imports into Nauru are subject to some form of customs tariff (see table below). The table shows that the default rate is 9 per cent, while some goods are subject to different rates reflecting other policy objectives (eg. preventative health in the case of tobacco and alcohol).

- The default rate on all imported goods which are not already subject to an excise was established under the *Customs Tariff Amendment Act 2004*. This rate was initially set at 5 per cent. Since that time it has increased by one percentage point per annum (from 1 July 2009 it is 9 per cent).

Customs Tariff Rates (effective 1 July 2009)

Product	Rate
Tobacco Cigarettes (per 1,000 sticks)	\$105.00
Tobaccos (per 500g)	\$52.00
Alcohol Wines (per litre)	\$4.00
Beer (per 375ml)	\$0.75
Spirits (per litre)	\$10.00
Sugary products	30%
Machinery/vehicles, accessories	25%
Other commercial goods, etc (default rate)	9%
Auto Distillates and petrol – engine oil (per litre)	\$0.60
Perfumes, cosmetics	55%
RONPhos & NRC – supplies	8%

In addition, since 2004 in successive budgets the Government has introduced a number of revenue measures designed to broaden the tax base including:

- Hotel bed tax;
- Airport passenger charge;
- Lands and survey consultation fee;
- Container charges;
- Bus lease charges;
- Bingo License Fee and Gaming Permits;

- Telecommunications Services tax; and
- Fee for medical checks.

Looking forward, the Government will be looking to expand the revenue base further possibly through the introduction of a broad based consumption tax. These changes should contribute to achieving the medium term milestone.

Short-term Sector Goals SOE dividend policies introduced	Short-term Strategy: Implement SOE dividend policies
	Milestone: Short and long term: Budgeted SOE dividends paid

Milestone has been partially achieved

While the Government did introduce a dividend payout policy in 2004, it is only recently that dividends have been paid to the Government.

In the 2004-05 Budget the Government introduced a dividend payout policy whereby instrumentalities were required to pay 80 per cent of all surpluses (net of relevant costs) to the Government of Nauru. However, since that time most of the Government's instrumentalities have been operating at a loss and combined with poor accountability and reporting mechanisms this has meant no dividends have been paid.

In more recent times, with the recommencement of phosphate mining, dividends from RONPHOS have been paid to the Government of Nauru (see table below). However, given the global economic crises it is unlikely that the projected dividends in 2009-10 will be realised.

RONPhos Dividends

Product	Dividend
2007-08	Nil
2008-09	\$1.75 million
2009-10 ⁽¹⁾	\$4.40 million

(1) Estimate provided in the 2009-10 Budget.

SOE reform is an ongoing process and over the medium term this should result in higher dividends being paid by a larger number of instrumentalities.

Short-term Sector Goals	Short-term Strategy: Increase capacity of revenue officials (incl. customs) through training
	Milestone: Short term: All revenue officials completed one training course Medium term: Most revenue officials completed advanced training

This milestone has been partially achieved

While all revenue officials in Finance have completed one training course, this training has typically been in the areas of basic skills (eg. basic MS Excel). This has been partially performed for customs officials because accessibility of officers to computers remains a challenge. Due to the lack of capacity and heavy workload in the Department of Finance and Border Control capacity of revenue officials (including customs) still needs to be strengthened.

That said, since 2004-05 there have been some improvements in cash handling procedures in the revenue office and reporting of revenues received. In addition, in respect of customs and quarantine, better understanding of role and relationships with other stakeholders have enhanced their capability to perform.

Looking forward, there are plans to strengthen the revenue office within the department of Finance through boosting staff levels and increasing their skills. These reforms are anticipated to be completed in 2009-10. Within the Border Control, better skills and an increased level of technical capability by way of x-ray machines should enhance performance and increase revenue collections.

Short-term Sector Goals	Short-term Strategy: Determine the Government's debt position
	Milestone: Short term: Implement debt write-off and affordable repayment plan Medium term: Government debt written off or repaid

Milestone has been achieved

In 2007 AusAid funded the preparation of a comprehensive debt management strategy for Nauru by Ian Storkey & Todd Robinson. This study concluded that:

- The debt situation of RON can be very simply summarised as 'a small island nation in severe debt distress'. While it is not possible to determine the exact level of indebtedness of RON and its instrumentalities due to lack of information and the need to validate some of the information that is available, it has been possible to determine a comprehensive debt management strategy for RON that can be sustainable in the medium- to long-term. The maximum NPV of a sustainable debt burden is estimated at AUD 46.2 million (equivalent to around 185 per cent of GDP).
- Deep concessions will need to be made by creditors to make the debt burden sustainable. This can be achieved through the four pillars to the debt management strategy, namely:

1. Concessionality (or debt write-down);
2. Extend or lengthen repayment schedules;
3. Refinancing; and
4. Debt swaps and netting.

The key elements of the debt management strategy are for RON to:

- Prepare a negotiation strategy for each creditor or group of creditors on the basis set out in this report;
- Formulate a robust communication strategy to cover all creditors;
- Implement measures to ensure sound practices in government debt management including improving the debt recording systems and procedures to effectively and securely record, process and account for all debt and debt-related transactions including any debt relief and debt restructuring;
- Assign sufficient resources for debt management with responsibilities preferably assigned to a government debt and cashflow management unit in the Ministry of Finance;
- Improve reporting to Parliament by:
 - developing an annual debt management strategy for approval by Parliament, Cabinet or the Minister of Finance; and
 - reporting government debt outstanding including outstanding payment arrears and loan guarantees in accordance with international reporting standards at least annually (preferably quarterly or semi-annually).

The Report recommended:

- While RON is not eligible for International Development Association (IDA) funding, the concept of the Debt Reduction Facility should be used to try and secure grant funding from the ADB and bilateral donor agencies to buy back some of the debt owed to external commercial creditors at a deep discount.
- RON should apply the 'Evian Approach' used under HIPC debt relief as a basis for negotiation in order that debt renegotiation reflects RON's financial needs and the objective of ensuring long lasting debt sustainability.
- RON should use debt swaps as a means of debt reduction but these would need to be carefully considered in light of the conditionality set by the respective creditor.
- RON should adopt the underlying principle of complete write-down of each debt or complete debt forgiveness throughout the debt negotiation strategy.
- Should creditors not agree to complete debt forgiveness (certainly without significant conditionality imposed), RON should negotiate on the basis set out in the comprehensive debt management strategy.

- RON should adopt a policy of ‘no commercial borrowing’ during the period of meeting outstanding payment arrears.
- RON should set a minimum grant component for any new funding (if IDA terms were to be applied in the case of Nauru, all funding would be on a fully grant basis with no loan funding).
- RON should seek to obtain grant funding over loans, and that any new loan funding will be on a concessional basis.
- RON should prepare and implement a comprehensive and proactive communication strategy to cover all creditors.
- RON should signal its intention to introduce fiscal responsibility legislation and review the public finance management act and other debt related legislation.
- RON should provide a clear explanation as to why the debt repayment schedule has been set and in particular why external debt will be addressed before internal debt.
- RON should improve budgeting and financial controls including strict controls over all new debt and provision of government guarantees.
- RON should set up a debt and cashflow management unit in the Ministry of Finance to record and manage debt and the outstanding arrears.
- RON should improve debt recording and management systems.
- RON should review the government’s banking and cash management regime.
- RON should develop within the context of government’s fiscal policy and budget framework an annual debt management strategy that is ultimately approved by Parliament, Cabinet or the Minister of Finance.
- RON should prepare and publish at least annually a Debt Statistical Bulletin or equivalent that covers domestic and external government debt including outstanding payment arrears and loan guarantees.

Nauru’s debts are divided into debts owed overseas; debts owed within Nauru to individuals and other organisations outside of government; and inter-entity debts owed between entities within the public sector in Nauru.

Table: Estimate of Total Debt in Nauru (2007)

Category	Amount (AUD million)
Debts owed to individuals and entities outside Nauru	237.0
Debts owed to individuals within Nauru	264.8
<i>Sub-total of debt owed to individuals and entities</i>	<i>501.8</i>
Debt owed between and among SOEs and GON	367.6
Total RON debt	869.4

Recent developments (in 2008-09)

These estimates above are being revised as a result of decisions taken during 2008-09. In particular, a number of external creditors were contacted and agreed to a substantial write down, or write off, of the debt owed. This information is being collated and the external debt estimate will be revised accordingly.

In addition, legal advice is being prepared on the liability of the Republic of Nauru for the yen bonds issued by RONFIN. If this advice indicates that the Republic is not liable for the RONFIN bonds then the estimate of external debts could be substantially reduced.

During 2008-09, the Government agreed to a mutual write down of debt owed between and among SOEs and the Government. In the case of debts owed between SOEs, statutory authorities, Government related entities and the Government of Nauru, all debts will be written off if acquired prior to 1 July 2005. The effect of this mutual write-off will be to clear the financial decks of all entities, enabling a clean starting point from which to ensure proper accounts and ongoing sound accounting and corporate governance.

Individual debts to or by the above entities, as part of normal customer or similar obligations, to/from non-Government entities and individual persons (such as customer deposits frozen in the Bank of Nauru) are excluded from this policy.

The SOEs, statutory authorities and Government related entities have been requested to update and finalise statements of accounts, taking into account this decision, from 1st July 2005 to present, and to achieve this by no later than end of September 2009. This will enable a revised debt estimate to be prepared, but inter-related debt will have been substantially reduced as a result of this decision.

In terms of debts owed within Nauru, the majority of internal debts are owed by the Bank of Nauru to deposit holders. This debt is estimated at around \$250 million. In 2008-09, the Government engaged Deloitte, funded by AusAid, to commence the process of liquidating the Bank of Nauru.

The liquidation has been established as a two stage process, with the first stage being the design of the liquidation process. During 2008-09, Deloitte undertook the design stage, which is intended to be followed by the implementation stage. The Government committed to this design/implementation approach on the basis of the unique elements involved in the liquidation of the Bank of Nauru, which is in addition to the already unusual and rare nature of a bank liquidation.

The Government is considering the option of finalising the liquidation of the Bank of Nauru over the course of 2009-10. In reality, there is little likelihood of significant asset recovery, with Deloitte providing an upper estimate of \$20 million, compared to deposits of \$250 million. The Government remains committed to returning as much funds as possible to deposit holders.

In the meantime, all accounts at the Bank of Nauru have been frozen, with no further cheque activity permitted. This is to facilitate the liquidation process.

2009-10 Budget

In the 2009-10 Budget the Government allocated \$1.375 million to debt repayments in 2009-10 and the proposed approach for debt repayment in 2009-10 is that:

- 1.5 per cent of Government own source revenue be dedicated to debt repayments;
- debt repayments will be prioritised according to existing commitments, expatriate former employees, willingness to agree to a debt reduction program and priority creditors; and
- \$1 million of Taiwan funds will be allocated to further payments of pending salaries owed to Nauruan Public Servants.

Short-term Sector Goals A coherent strategy to deal with Government debt developed	Short-term Strategy: No new Government borrowing
	Milestone: none in NSDS

This milestone has been achieved

Since 2004-05 the Government of Nauru has not entered into any major new Government borrowing arrangements.

Short-term Sector Goals State Owned Enterprises operate efficiently and contribute to social services	Short-term Strategy: Reform SOE sector including private investment wherever possible
	Milestone: Short term: Accounts produced Dividends paid Reform plans for all SOEs developed Individual SOEs reformed: RONPHOS, Eigigu Holdings, RONTTEL, Nauru Air Corporation, etc Medium term: Number of SOEs reduced SOEs meet rate of return requirements SOEs at arm's length from Government SOE services and products improved

This milestone has been partially achieved

Accounts Produced

Accounts for many SOEs have not been produced. This has been due to the lack of modern systems by which to account for transactions and trained personnel to administer these systems. Accordingly, the SOE sector has continued to be one of the weak points in the economic performance of Nauru and remains a considerable drain on the economy.

- However, some SOEs have produced accounts. For instance, unaudited accounts of NRC are available since its establishment in May 1999. The audit of NRC accounts since 1999 will be undertaken by PKF, Australia in October 2009. RONPHOS have also engaged the service of WHK Horwath an accounting firm based in Brisbane since 2008 to produce RONPHOS' accounts from 2005. The accounts are now awaiting audit by the Government Auditor

With AusAid support, a major government program began in 2006-07 to strengthen the accounting practices and capabilities of Nauru's state-owned enterprise sector, including the installation of the Mind Your Own Business (MYOB) accounting software package at five SOEs being the Menen Hotel, RONPHOS, Utilities, the Nauru Rehabilitation Corporation and Eigigu Holdings Corporation. Implementation of MYOB in these SOEs has assisted in providing a more structured approach to financial transactions processing and reporting to management.

The accounting improvement program has enabled SOEs to produce accurate and timely financial statements, and for the first time in 2009-10 all SOEs presented a budget to Cabinet for approval.

During 2009-10, ongoing support for SOEs is proposed to continue, taking into account the stage which each SOE has reached in its management of accounting systems and reporting to management. Activities should include:

- priority MYOB accounting assistance provided to Eigigu to support the separate entities established as a result of the restructure;
- quarterly MYOB problem-solving assistance, and adjustments to Menen Hotel, Central Utilities, RONPHOS and NRC should continue to support management reporting as needed; and
- assistance with the preparation of annual audits and submission of annual accounts.

Considerable progress has been made with these SOEs, but there is a need for continuing support. To assist in financial and business planning, accounting support will now focus on balance sheet items, including the issue of asset valuation. These efforts will facilitate preparation of a complete set of accounts which can be submitted for audit.

Dividends

Information on SOE dividends is covered in a separate strategy/milestone.

Restructuring of Individual State Owned Enterprises

Since 2004-05 many of the Government's SOE's have undergone some restructuring.

- Eigigu Holdings Corporation – has been restructured into four commercial activities (Eigigu Enterprises, Eigigu Imports and Wholesale, Eigigu Civic Centre and the Menen Hotel). It has as its mission statement *to provide competitive services in Nauru with the goal of providing as many useful services it can manage and to ensure its viability as a commercial company.*
 - With the Menen Hotel some rooms are being converted into apartments that would be managed under a landlord/tenant model. In addition, options are being investigated for privatising of or renting out of the other areas of the hotel, such as the restaurant,

gaming room, and function room and possibly with the outsourcing of security, cleaning and maintenance.

- Our Airline – Currently operates two Boeing 737-300 aircraft: one undertaking regular passenger services between Brisbane and Honiara; and the other between Norfolk Island and Australian East Coast cities.
- Nauru Agency Corporation (NAC) – Following the significant reforms to Nauru’s financial sector in 2004-05 (which included closing all offshore banks and removing many companies off the NAC’s registry), the NAC’s operations have been significantly reduced.
- Nauru Insurance Corporation – was closed in 2006.
- Nauru Phosphate Royalties Trust (NPRT) – The process of winding-up the NPRT which commenced in 2004 is nearing completion. In particular, all of the assets have been realized and there are only a few remaining liabilities to be cleared. This process should be completed in 2009-10 with the creation of a new landowner’s trust structure into which all remaining assets will be transferred and RONWAN payments to landowners will be made.
- Nauru Rehabilitation Corporation (NRC) – has commenced reclaiming mined out phosphate land, excavating secondary phosphate and crushing coral stone into aggregates. In 2009-10 a major objective of the NRC will be to implement the mine plan for pit number 6. Both NRC and RONPHOS have undergone structural reform to ensure that they have the necessary skills and manpower to sustain their operations effectively and efficiently and an effective administrative and financial management of its resources.
- Ronfin – was closed in 2004 and its maintenance functions for Government property has been transferred to the Chief Secretary’s department. All remaining assets have been transferred to the Government.
- RONPHOS – was created on 1 July 2005. Since that time it has reduced its staff (from 1,700 to 390 currently) and has undertaken some repairs and maintenance to its mining equipment (spending \$8.2 million). RONPHOS has recommenced mining and processing operations of primary phosphate rock. RONPHOS also processes secondary phosphate extracted by the Nauru Rehabilitation Corporation. In 2009-10 RONPHOS is expecting to export 480,000 metric tonnes of phosphate (but this may not eventuate due to the Global Economic Crisis). Both RONPHOS and NRC have undergone structural reform to ensure that they have the necessary skills and manpower to sustain their operations effectively and efficiently and an effective administrative and financial management of its resources.
- Rontel – was closed and since September 2009 telecommunications and internet services have been delivered by a private sector company (Digicel).
- Utilities – has been separated from the now closed Nauru Phosphate Corporation (NPC) with the responsibility for providing Nauru with electricity, water and fuel services (including managing the Fuel Tank Farm).

Short-term Sector Goals Land tenure system conducive to national development including SME development	Short-term Strategy: Review land tenure system to facilitate national development including SME development in consultation with stakeholders
	Milestone: Short term: Land tenure system and its impact upon development and investment reviewed and reforms identified Medium term: Mechanisms established to promote national development including SME development

Milestone has not been achieved

A review of the land tenure system has not occurred. The land tenure system is a very sensitive issue in Nauru. To undertake such a review would require a dedicated and expert group working together to comprehensively assess the full implications of land reform for all groups in Nauru.

Short-term Sector Goals Appropriate regulations for the financial services sector established	Short-term Strategy: Draft and implement updated financial regulations including training staff
	Milestone: Short term: Regulations drafted Medium term: Greater competition in financial services achieved

This milestone has been partially achieved

Since 2004-05, the Government has introduced significant reforms to Nauru's financial sector. This has included putting in place a full set of legislation in the areas of anti-money laundering, counter terrorism and transnational organised crime, mutual assistance in criminal matters and proceeds of crime.

- *Corporations Amendment Act 2004*
- *Anti-Money Laundering Act 2004*
- *Counter Terrorism and Transnational Organised Crime Act 2004*
- *Mutual Assistance in Criminal Matters Act 2004*
- *Proceeds of Crime Act 2004*

This legislative package (particularly the *Anti-Money Laundering Act 2004* (AML)) also enabled the creation of the Financial Investigations Unit (FIU) as the body responsible for implementing this legislation. In particular, the FIU has been set up to have the following functions:

- collect and analyse information related to money laundering and the financing of terrorism;

- refer any suspicious matters to the Director of Public Prosecutions;
- carry out examinations of financial institutions;
- compile statistics and records and disseminate information within Nauru and elsewhere;
- issue guidelines and provide training to financial institutions; and
- educate the public and create awareness on matters relating to money laundering and financing of terrorism.

Since that time, the FIU has been established and initially operated within the Department of Finance, but was subsequently transferred to the Department of Justice. It is currently staffed by one person (the FIU Supervisor) on a part-time basis.

While the FIU does exist in name a severe lack of capacity and training means that it is not a fully-effective organization. Financial monitoring is not effectively being carried out and there is a lack of reporting. Nauru will be looking to increase resources in the FIU and approach a donor to assist in strengthening its capacity.

In corporation, business, investment and trade, draft policies are being developed on trade and investment and draft legislation developed and discussed within Government departments.

Short-term Sector Goals De-listing from the FATF Blacklist maintained	Short-term Strategy: Establish Financial Intelligence Unit (FIU) including training of staff
	Milestone: Short term: FIU fully operational including trained staff

This milestone has not been achieved

The passage of the *Anti-Money Laundering Act 2004* (AML) and other key pieces of legislation meant that Nauru has the legislative system whereby to deal with the issues of money laundering and the financing of terrorism. The AML also enabled the creation of the Financial Investigations Unit (FIU) with the following functions:

- collect and analyse information related to money laundering and the financing of terrorism;
- refer any suspicious matters to the Director of Public Prosecutions;
- carry out examinations of financial institutions;
- compile statistics and records and disseminate information within Nauru and elsewhere;
- issue guidelines and provide training to financial institutions; and
- educate the public and create awareness on matters relating to money laundering and financing of terrorism.

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Short-term Sector Goals	Short-term Strategy: Close Bank of Nauru (BON) including cancelling BON cheques and closing accounts (determine pay-out schedule)
	Milestone: Short term: BON closed Medium term: Range of banking service providers (incl. offshore) available
Banking: Appropriate commercial private banking services in Nauru established	

This milestone has been achieved

In 2008-09 the Bank of Nauru was closed and restructured into the Payments Directorate within the Department of Finance where its role is simply to hold and disburse cash for the Government.

The Government has decided that in 2009-10 the Bank of Nauru will be liquidated and is currently seeking donor support to complete this. The liquidation has been established as a two stage process, with the first stage being the design of the liquidation process. During 2008-09, Deloitte undertook the design stage, which is intended to be followed by the implementation stage.

The Government is committed to this design/implementation approach on the basis of the unique elements involved in the liquidation of the Bank of Nauru, which is in addition to the already unusual and rare nature of a bank liquidation.

The Government is considering finalising the liquidation of the Bank of Nauru over the course of 2009-10. In reality, there is little likelihood of significant asset recovery, with Deloitte providing an upper estimate of \$20 million, compared to deposits of \$250 million. Throughout the liquidation process, the Government remains committed to returning as much funds as possible to deposit holders.

In the meantime, so as to facilitate the liquidation process all accounts at the Bank of Nauru have been frozen, with no further cheque activity permitted.

Short-term Sector Goals Banking: Appropriate commercial private banking services in Nauru established	Short-term Strategy: Negotiate with private bank to establish operations in Nauru. Greater use of efficient transactions (eg. BPay)
	Milestone: Short term: Private bank established and operating in Nauru

This milestone has been partially achieved

Following significant reforms to the financial sector since 2004-05, Nauru has been negotiating with a number of financial institutions with the view to commencing banking operations in Nauru. Negotiations have been held with the Bank of South Pacific, Westpac Banking Corporation, National Australia Bank, the ANZ Banking Corporation and a bank in Taiwan.

However, at this stage no bank has agreed to establish operations in Nauru. It is likely that the impact of the Global Financial Crisis may partly explain the reluctance of some banks to expand operations into new markets (as in the current environment many financial institutions are focusing on maintaining operations rather than expanding them).

Despite the absence of a commercial bank in Nauru, the Government does process a large number of payments by way of electronic transfers via its overseas accounts (primarily located in Australia). Until the end of June 2006 these transactions were managed by an accounts manager based in Melbourne. However, these are now directly controlled in country by the Department of Finance. Since that time, the number and value of these electronic transactions has been significant (see table below), with the average transaction being for slightly under \$11,000.

Government Electronic Transactions

	Number of Transactions	Value of Transactions
2006-07	1,370	\$16,741,456
2007-08	1,977	\$13,838,790
2008-09	1,560	\$23,355,570

In addition, in 2008 a private individual opened a Western Union office in Nauru. This allows for the transfer of funds overseas or vice versa, and is widely used by local Chinese individuals and businesses as well as parents whose children are studying overseas.

<p>Short-term Sector Goals</p> <p>Insurance: Viable commercial insurance services in Nauru established</p>	<p>Short-term Strategy: Determine insurance needs of Nauru Assess ongoing commercial viability of the NIC Scope potential for private provision of insurance (incl. from offshore) Implement new corporate governance</p>
	<p>Milestone: Short term: Insurance needs of Nauru determined Commercial viability of NIC assessed Scope for private provision of insurance services assessed New corporate governance instated</p> <p>Medium term: Range of insurance service providers (incl. offshore) available</p>

This milestone has been partially achieved

An insurance needs analysis has been conducted in Nauru. It determined that there is scope for the privatization of insurance services in Nauru. It also noted that the main obstacles preventing a private operator from establishing in Nauru was the lack of a modern legislative framework and the relatively small size of the Nauruan economy.

In April 2006 the Government determined that the Nauru Insurance Corporation (NIC) was insolvent and unable to deliver services for some years. The NIC was closed on 30 June 2006.

The Government has approached some insurance companies with a view to establishing services in Nauru. However, at this stage no company has decided to establish operations in Nauru. Donor funded private ventures operating in Nauru (eg. the company undertaking the construction of the Nauru Secondary School) have been able to obtain insurance.

Despite the Government closing the Nauru Insurance Corporation (NIC), the *Nauru Insurance Act 1974* which primarily establishes the NIC as the sole provider of insurance in Nauru has not been replaced by a generic insurance act. The *Nauru Insurance Act 1974* has not been updated primarily due to lack of capacity, in the areas of policy design and legislative drafting in this specialised area. Before any potential private insurance operator can establish operations in Nauru, this legislation and accompanying regulatory framework and corporate governance needs to be updated and especially inconsistencies between the Corporation Act and Insurance Act on who can conduct insurance and reinsurance be clearly defined.

Short-term Sector Goals	Short-term Strategy: Stock-take of all regulations impacting on business (incl. entry, exit, competition, labour and land)
	<p>Milestone: Short term: Review of all business regulations completed</p> <p>All regulations impacting on business activity identified</p> <p>Medium term: Introduction of new reformed business regulatory system</p> <p>Business leaders educated on new regulatory requirements</p> <p>New regulatory system effectively enforced</p> <p>40 new private sector businesses in operation in Nauru</p> <p>All new Government proposals which involve regulations that impact on business must prepare a "Regulation Impact Statement"</p>
Regulatory impost on business in Nauru determined	

Milestone has been achieved

A review of legislation which impacts on business has been completed and has identified eight relevant pieces of legislation which currently exist in Nauru.

- Trade Marks Act
- Patent Act
- Design Act
- Corporation Act
- Customs Act
- Animal and Plant Quarantine Act
- Immigration Act
- Land Act

Many of these acts date to the 1970s (for instance, the Corporation Act dates to 1972) and the Justice Department is attempting to improve its local capacity so as to commence updating these acts.

The review also found that two important piece of legislation do not exist in Nauru, being a Foreign Investment Act and an Employment Act. Nauru is currently in the final stage of sending of the terms of reference to the Forum Secretariat to assist in putting together a Foreign Investment Act.

Short-term Sector Goals NPRT: Provide regular payments to beneficiaries	Short-term Strategy: Determine assets and liabilities Repay and / or negotiate with all creditors Implement new governance
	Milestone: Short term: New governance implemented with professional funds management Medium term: Beneficiary trust in fund management restored

This milestone has been mostly achieved

The process of winding-up the NPRT which commenced in 2004 is now nearing completion. In particular, all of the assets have been realised and there are only a few remaining liabilities to be cleared. These include to the Australian Taxation Office (ATO) as well as a number of other creditors.

2009-10 will see the creation of a new landowner's trust structure into which all remaining assets will be transferred and RONWAN payments to landowners will be made. This trust fund will be for landowner's assets only and will be separate from the Trust Fund which will be set up by the Government for all of the people of Nauru.

Short-term Sector Goals Public Trust Fund: New trust fund set up to supplement the National Budget	Short-term Strategy: Negotiate with donors on a governance structure for a dollar for dollar contribution scheme
	Milestone: Short term: Establishment of the Fund Fund operating with international standard governance and management Medium term: Payout to creditors according to affordability

This milestone has been not been achieved

A new trust fund has not been established primarily due to the length of time it has taken to wind-up the previous NPRT. It has also taken longer than expected to finalise the necessary donor assistance in the design on the new trust.

In 2008-2010 the Asian Development Bank (ADB) will provide Technical Assistance to the Government to develop the necessary arrangements for a new Nauru Intergenerational Fund.

As an ongoing source of revenue, the Nauru Intergenerational Fund will advance long-term financial sustainability, enhance public sector financial autonomy, and bolster capacity for effectively managing capital and technical development assistance.

The Government is committed to creating a structure for the Nauru Intergenerational Fund that is consistent with the highest standards of performance and accountability. The goal of the governance structure will be to provide direct oversight of the fund itself and offer advice on the

development of Nauru's economy. Through practices that embrace prudence and transparency, the Fund will be required to commit to stringently safeguard its assets.

While the details of the fund will be settled through the course of 2009-10, it is likely to be established by way of an international treaty with key donors to Nauru being invited to be a party to the Fund. It will also be designed to be a long-term investment fund for future generations of Nauruans.

This fund is expected to be fully operational by 1 July 2010.

Short-term Sector Goals RONFIN: Closed	Short-term Strategy: Audit net asset position of RONFIN Dispose of assets Determine pay-out schedule for liabilities Repeal RONFIN Act
	Milestone: Short term: Net assets and liability schedule determined RONFIN closed RONFIN Act repealed Medium term: Direct all new investments to new vehicle

This milestone has been mostly achieved

In terms of determining the liabilities of RONFIN see separate strategy and milestone dealing with the Government's debt position. In terms of assets, the identification (and liquidation) process is still underway. As new assets are identified, they are liquidated and the proceeds returned to the Government.

However, the net asset position of RONFIN has not been audited since 1992-93 by the Director of Audit. In 1996, the Price Waterhouse was engaged to determine RONFIN's accumulated losses.

In the 2004-05 Budget the Government announced that RONFIN was to be closed. All maintenance functions for Government properties have been transferred to the Chief Secretary's Department.

At this stage the RONFIN Act has not been repealed. This is primarily due to the heavy workload of the Justice Department.

In 2007 AusAid funded the preparation of a comprehensive debt management strategy for Nauru by Ian Storkey & Todd Robinson. This report stated that it is not possible to determine the exact level of indebtedness of the Republic and its instrumentalities (including RONFIN) due to lack of information and the need to validate some of the information that is available. No register or ledger of debt has been maintained, and the level of record-keeping within the Republic has been extremely poor. Almost all files on debt are incomplete or non-existent.

However, the study did use what data was available in an attempt to catalogue the debts of the Republic and instrumentalities (including RONFIN). It also developed a debt management strategy for these debts.

Further details of Nauru's debt management strategy are contained in the separate strategy and milestones dealing with the Government's debt position.

PUBLIC ADMINISTRATION/GOVERNANCE

Short-term Sector Goals Institutions strengthened across the public service	Short-term Strategy: Develop corporate plans for all Ministries to establish clear Ministry goals and strategies as well as identifying core functions
	Milestone: Short term: Approved corporate plans for all Ministries Medium term: Ministries operating effectively under transparent and accountable processes

This Milestone has not been achieved

The Chief Secretary's Department has produced its first draft Corporate Plan for 2009-2012. The Ministry of Justice & Border Control has submitted its draft Corporate Plan and this is currently being reviewed.

The Ministry of Health Operational Plans for 2008-09 and 2009-10 have also been developed. The Ministry for Health is now in the process developing a National Health Strategy to guide the sectors long term development and this should be completed by the end of 2009.

In addition, the Department of Foreign Affairs and Trade (DFAT) has drafted a Foreign Policy Statement which is with Cabinet for consideration. The purpose of the Foreign Relations and Trade Policy Statement (FRTPS) is to promote and protect the interests of Nauru and of its people as contained in both the Constitution and in the National Sustainable Development Strategy. This needs to be approved so it can be used as the basis for the Department's corporate plan.

Whilst efforts have been made to develop Corporate Plans, the delay in not fully achieving the milestone was due to the delay in the recruitment process of the Technical Assistant which finally came in October 2008 by way of a Human Resource (HR) Specialist. In the 2009-10 Budget, the Government has agreed to seek donor funding to continue the HR Director position into 2009-10.

- During 2008-09, a number of Departments also undertook considerable internal reorganisations, particularly the Nauru Police Force, the Department of Health and the Department of Justice. These reorganisations ensure that the Public Service is structured in the most effective way to meet emerging needs.

In the course of preparing the 2009-10 Budget, the Government reviewed the establishment across the Public Service, and will re-gazette all Public Service positions. This will ensure that budget allocations match gazetted positions. In 2009-10 the Government has also commenced a process of preparing corporate plans for all departments and this will be linked with reforms to departments and staff duty statements to clarify their roles and responsibilities.

Short-term Sector Goals Institutions strengthened across the public service	Short-term Strategy: Establish best practice and transparent processes to support the reformed environment
	Milestone: Short term: Transparent processes established and functional

This milestone has been partially achieved

MYOB Payroll Software

In January 2009, the Chief Secretary's Department introduced the MYOB accounting software to computerise the public service salary and the paper based leave records. The project is 80 per cent complete. The delay in completing the project is attributed to contractual delays between AusAid and World Wide Project Management Services who is contracted to manage the Nauru Public Sector Reform and Capacity Building Program Design Team (PDT). The MYOB Payroll project is expected to continue into 2009-10 and is likely to produce the MYOB payroll in November 2009.

Promadis Software

In 2008 the Chief Secretary's Department introduced the Promadis Registry management software to replace the existing software for the Registry of Births Deaths & Marriages which has become inoperable. The project is 90 per cent complete. To complete the project further assistance from Promadis will be required to address some minor technical difficulties.

Chief Secretary's Department Restructure

In July 2009, the Chief Secretary's Department prepared, approved and implemented a departmental restructure. New functions and units were established, some positions were reclassified and job descriptions were reviewed and updated to ensure a greater level of consistency in the way services are being delivered through the Public Service. The new restructure in place is necessary to support the reformed environment.

Other Reforms

There have been other reforms which establish best practice.

- In 2006 the Government decided to move the supply of fuel for Government vehicles from the management of NPC to the Chief Secretary's Department. This was aimed to establish more stringent control over the supply of fuel. The Department was tasked to manage the fuel ration for all Government vehicles on a weekly basis.
- The Statehouse site was transferred to the Government at the closure of the Offshore Processing Centre. The former IOM Warehouse became the Government Warehouse in order to facilitate the centralization of procurement of supply and services. New public service positions established for the Warehouse.

- The estimation of total pending salaries for all public servants was compiled and individual statements can be accessed on request. The first part payment was effected in 2008 at the cost of \$1 million. This is an on-going public service activity.
- Review of the *Public Service Act 1998*. While the 2008-09 Budget provided for this review there was difficulty in getting Technical Assistant to complete this project. The Government has decided that the review would be undertaken in 2009 by the Parliamentary Counsel.

In the area of finance there have also been several reforms to improve processes and increase transparency.

- Since 2004-05 the budget documentation has been significantly improved and expanded. Previously the budget documents only presented the numerical accounts of revenues and expenditure and had no information on the context for the budget (including economic environment), or the major initiatives of the government.
 - The new budget documents present the financial estimates, but also detail analysis of the estimates including a full description of all measures, a statement on economic reform (including to the major instrumentalities) as well as details of the aid budget.
- At the end of the financial year, the Department of Finance produces the Final Budget Outcome (FBO) which presents the actual budget outcome for the previous financial year as well as an analysis of major variations through the year. This document along with all supporting documents for all financial transactions throughout the previous year is sent to Audit Department for audit.
- There has also been significant improvement to financial management processes since 2004-05. Checking and authorization procedures for Government expenditure have been strengthened with all proposals for spending being checked against budget appropriations and requiring supporting documentation. Importantly, the Government is now operating on a new corporate online banking package, which enables better access to account balances and simplifies the procedures involved in making online payments (and dispenses with the need for an Australian-based accounts manager).

In the Department of Health there have also been significant improvements including:

- approving and implementing the Organisation Reform Report;
- approving a Code of Conduct which requires all staff to sign and adhere to its requirements;
- developing job descriptions for all staff;
- holding weekly senior management team meetings; and
- undertaking a Nursing Service Review which improves nursing service delivery, and involves developing protocols, introducing succession planning and identifying future leaders.

Short-term Sector Goals Institutions strengthened across the public service	Short-term Strategy: Identify capacity gaps and design appropriate strategies to build capacity at managerial and technical levels
	Milestone: Short term: Capacity building plans for all Ministries established with clear time-bound milestones

This Milestone has been partially achieved

In view of ad hoc approaches to staff training, in 2005 the Government agreed to centralize staff training and development under the Chief Secretary's Department. The position of Human Resource Manager was created and filled. The position is responsible for coordinating training opportunities within the public service and act as the focal point for local and regional networks. This position was further reclassified under the new structure in 2009 and established as Manager for Training and Development. The job description has been revised to reflect the level and scope of responsibility assigned to the new position.

In late 2008 the Chief Secretary's Department formally trialled the student internship/work placement program. The objectives of this program included: practical exposure to the public service and the work place, linking student choices to public service priorities. Students undertake their work experience within a structured process with appropriate levels of supervision and mentoring to ensure they are able to access the expertise, knowledge and experience available to them.

In July 2009 the Chief Secretary's Department also introduced a Performance Management System (PMS). This is designed to improve the overall work performance of public servants in a number of ways:

- To identify areas of performance that can be improved by counselling, training, new work experience and/or other staff development activities, including potential for promotion.
- To encourage improved work performance and afford staff the opportunity to contribute meaningfully to the goals of the department.

The PMS is in place within the Chief Secretary's Department as well as some other departments. It is expected to be rolled out to other Departments in 2009-10.

The Public Service Capacity Building Plans has not been fully achieved and this is largely attributed to the delay in recruitment of the Technical Assistant (TA) which finally came through in October 2008. Government has approved the extension of the current TA's contract specifically for the purpose of developing Nauru's Human Resource Development Strategy. This document aims to consolidate public service training needs and activities in one framework.

Several departments (such as DFAT) are also in the process of developing Staff Development Programs.

In the Department of Finance capacity has been built through the deployment of three senior officials from the Australian Treasury and the Australian Department of Finance and Deregulation. These officials have held the positions of Secretary for Finance (inline) as well Economic Adviser (not inline) and Budget Adviser (not inline).

These officials have had wide responsibilities to implement extensive reforms not just to Nauru's economic and financial architecture, but also to improve processes and strengthen capacity within the Department of Finance. While there is still a lot to be done in this respect, significant improvements have been made.

- Processes in the preparation of the annual budget estimates (as well as preparation of the Final Budget Outcome document) are now handled by local staff (this was previously done exclusively by senior management or the Australian deployed officials).
- The integrity of payments processing has been strengthened and this function is now handled by locally engaged staff.
- A number of staff with high skills and potential for advancement have been sent overseas for further studies and training. It is anticipated that once these staff return to the Department of Finance they will take up senior positions within the department. In addition, more generally, various training opportunities have been offered to all staff in the department (eg. computer programs such as MS Word and MS Excel).

Looking forward, both of the finance team adviser positions will be converted into in-line deputy secretary positions so as to improve the managerial capacity within the Department of Finance.

In the area of health capacity building has also been a priority where priority is given to investing in the training of Nauruan nationals as health care professionals. Some recent initiatives include the following.

- The Health Trainee (12) programme continues with candidates pursuing foundation courses to ensure their eligibility to compete for scholarships at the Fiji School of Nursing and Fiji School Medicine.
- Current trainees are pharmacy, nursing, medicine, radiology, environmental health, physiotherapy.
- The Government of Nauru through its bilateral program with Cuba resulted in the offer of 10 medical scholars annually. There are 9 students studying medicine at present and a further 8 will be sent in September 2009.
- 3 graduate nurses returned in 2009 and the Ministry is expecting a 7 further graduate nurses to return and commence employment in January 2010.
- Areas requiring attention are dentistry, physiotherapy, laboratory, biomedical, dietary, management, finance, medical records.
- In light of the above reality the Ministry of Health will continue to rely on expatriate staff for the provision of specialised medical, nursing and allied health personnel. It currently has an expatriate staff establishment of 36 positions, 16 medical and dental, 10 allied health and 10 nursing staff of which only 3 are vacant across all cadres.

Despite these reforms there remain numerous vacancies in key positions in many Government departments. In addition, overseas deployed officials hold many (in line as well as off line) positions where capacity is lacking.

Short-term Sector Goals Institutions strengthened across the public service	Short-term Strategy: Review the supportive infrastructure in terms of buildings, capital equipments and necessary office materials conducive to improved performance
	Milestone: Short term: Infrastructural development and capital equipment plans established and prioritised for implementation

This Milestone has been partially achieved

The Government has a very heavy reliance on IT equipment. Since 2004-05 when IT equipment was old and unreliable there have been significant improvements. All staff now have modern Windows-based computers (with email and limited internet access) and multifunction printers/scanners/photocopiers. A computer network has also been established which facilitates information sharing and secure storage. The introduction of mobile phones and broadband internet in August 2009 has further contributed to improved connectivity and productivity.

Office amenity has also been improved with the installation of some new air conditioners into offices. However, office furniture (chairs, desks and filing cabinets) in the Government offices is still in poor condition and this detracts from achieving higher levels of productivity.

The Government vehicle fleet has been renewed with older less reliable vehicles sold at public auction, and an underground water system has been installed to improve the water facility.

Short-term Sector Goals Institutional framework and capacity of the Audit Office strengthened	Short-term Strategy: Undertake reforms to increase independence, powers of investigation and penalties
	Milestone: Short term: Increased capacity of Audit office staff Medium term: All audit responsibilities met in a timely way

This milestone has been partially achieved

The Government has committed itself to high standards of accountability and financial transparency. To assist the Republic of Nauru, in May 2008 the Government of India provided an experienced Director of Audit who published a Special Audit Report in January, 2009. More audit/accounts experts are also expected to come to the Audit Department from India for implementation of a system of audit across all organizations of the Republic. The Department of Finance has also provided the Government's Final Budget Outcome reports for recent years for audit. The Department of Finance and the Department of Audit will continue to work together to develop a better national accounts in the coming years.

The Department of Audit, like many areas of the Public Service on Nauru, faces many capacity constraints. On this issue, the Asian Development Bank has been assisting in developing the Pacific Regional Audit Initiative (PRAI). The objective of the PRAI is to build and sustain public auditing capacity. The PRAI, under the Sub-regional Audit Support (SAS) Program, has already

involved a team of auditors (from Tuvalu, Kiribati and Nauru) undertaking audits and training local staff of those three countries. The Initiative will also support all these three national audit offices working together to conduct performance audits.

The amendments to the Constitution (detailed below) also include amendments to the provisions concerning Director of Audit, including strengthening the independence of the Director of Audit, making express provision in the Constitution (instead of just in the Audit Act) for his powers and functions, expanding his existing powers, and other related matters. These amendments are among those that can be approved by Parliament alone, without referendum, and are contained in the *Constitution of Nauru (Parliamentary Amendments) Act 2009* that was passed by Parliament in August 2009. They are expected to commence in early 2011, on the day of the next general election.

<p style="text-align: center;">Short-term Sector Goals</p> <p>Strengthening Governance Institutions</p>	<p>Short-term Strategy: Strengthen and build capacity for the Judiciary, Justice, and Police</p>
	<p>Milestone: Short term: Capacity building of locals to takeover Judiciary, Justice and Border Control department and Police expatriate positions.</p> <p>Consistent educational program to undertake professional legal training at overseas law schools for 10 locals or more</p> <p>Appointment of highly qualified expatriates to take over senior legal positions and build capacity of locals.</p> <p>Medium term: Judiciary, Justice and Border Control departments and Police operating effectively</p>

Milestone has been partially achieved

Nauru Police Force

The Police Capacity Program for 2005-2009 between Nauru and Australia has provided successful institutional strengthening through implementation of the following:

- Workforce Renewal – recruitment and selection, retirements & dismissals, improved governance, recruit training, in-service training, assessment development centres, performance appraisals, succession planning and international training, international conference.
- Organisational Review – flattened of structure, effective management systems, budget management and presentation, improved governance, and logistics support.
- Community Perceptions Report – community policing, improved service delivery and community engagement.

- Infrastructure Program – funding for construction of new police headquarters and central police station.

Prison

- Workforce Renewal – recruitment of corrections and reserve police officers, retirements and dismissals, improved governance and in-service training.
- Organisational Review – *Corrections Services Act 2009* passed and transfers prisons to corrections under the Ministry of Justice and improves service delivery, effective management systems, budget presentation and management, improves governance and logistic support, educational, rehabilitation and re-integration programs, public and community projects programs, sustainable living and business programs.
- Infrastructure program – tender for the final stages of the renovation, building of juvenile and women facilities has been prepared.

Judiciary and Justice Department

- The Pacific Island Forum NZAID program has provided institutional strengthening and development to Nauru's justice and judicial services through:
 - Technical Assistance – appointing professional legal officers to DPP, Resident Magistrate and Secretary for Justice position. New positions created under the restructure; solicitor general, public defender, director border control are yet to be appointed. In addition there have been new proposals made to enhance justice sector effectiveness through the appointment of Chief Correctional Service advisor and a new judge post on island.
 - Organisational Review – restructure, re-organisations and salary reviews, corporate plans, effective management systems, budget presentation and management, improved logistic support and governance, educational programs.
 - Infrastructure program – additional offices for more post holders like the Solicitor General, public defender and FIU and corporation departments.
 - Constitutional review – there has been a proposal made for the setting up of the Nauru Human Rights Centre, creation of Ombudsman position and ensuring that Court of Appeal is on island and not offshore.

Short-term Sector Goals	Short-term Strategy: Capacity building for the Judiciary, Justice, Border Control and Police
Strengthening Governance Institutions	<p>Milestone: Short term: Review of and consolidation of Legislation including updating of penal code, custom and bio-security legislations.</p> <p>Review of policies of government and their consistency with legislations implemented</p> <p>Review of Border Control revenue collection and operation guidelines</p> <p>Medium Term: Effective and efficient legal and judicial service.</p> <p>Increase Revenue collection for customs and harmonized custom tariff and duties</p>

Milestone has been partially achieved

Since 2005 the Government and Parliament have embarked on a review of legislation in two different senses:

- In the law reform sense, government has reviewed existing legislation to identify major gaps in existing laws, in particular, gaps that ought to be filled in order to comply with Nauru's international legal obligations, and gaps that need to be filled in order to achieve the government's reform program, and has put together an extensive and comprehensive legislative agenda accordingly. Government is progressing through its ambitious legislative agenda, and has since 2005 achieved an impressive legislative record, but there is still much in the pipeline – awaiting drafting or finalization. This aspect of the review of legislation is therefore partially achieved, but will also remain an important short-term goal to 2012.
- In the tidying up sense, Justice Department and Parliament have designed a project for the consolidation and reprint of all Nauruan legislation and for the coordinated management of all legal information. This project is critical to the effectiveness and transparency of government. The government has secured assistance from NZAID for this project – initially as part of PRAN through PIFS, but to continue on a bilateral partnership basis now that PRAN has ended. Parliament and Justice have done a lot of groundwork to enable this project to commence, and the project itself, with a project team that includes a document management specialist and a legal drafting/consolidation specialist, is expected to commence before the end of 2009. This aspect of the review of legislation is therefore partially achieved, but will also remain an important short-term goal to 2012.

Update of the penal code, which in Nauru is the Queensland Criminal Code, has commenced but not yet completed. Lawyers for government have prepared a draft revised criminal code, but the draft is still under review and has not yet been introduced to Parliament. In 2009, the Australian Attorney-General's Department offered to provide assistance with the review of the Criminal Code and related criminal legislation. Work on this review was commenced but seems to have been temporarily suspended due to staffing changes. The current proposal is to complete

the review in three separate parts, and possibly to break the Code down into three separate enactments covering different areas of criminal law. Miranda Forsyth of the Law School at USP has also embarked on a project that aims towards regional coordination of criminal code revisions. This regional project may be addressed by all PIF members at forthcoming PILOM meetings, and Nauru is likely to be involved in this project. This will therefore remain an ongoing short term milestone to 2012.

Short-term Sector Goals	Short-term Strategy: Strengthen and build capacity for the legislature
Strengthening Governance Institutions	<p>Milestone: Short term: Parliamentary Secretariat and Committee system strengthened and Standing Orders reviewed Leadership code enacted</p> <p>Medium term: Parliamentary Secretariat and Committee system operating effectively</p>

Milestone has been partially achieved

General capacity: Staff, equipment and buildings

Since 2005, the capacity of the Parliamentary Secretariat has improved, and is still working towards further improvements. The Secretariat is now better equipped, with adequate computers and printers for all staff, and a high capacity photocopier. The introduction of regular staff meetings means that staff now have a better understanding of their responsibilities and work is more clearly allocated among staff.

Since 2008, Parliament has had a legally qualified Parliamentary Counsel, and in October 2009 will be employing an additional lawyer in the Office of Parliamentary Counsel, so that the Parliament Secretariat is now for the first time in many years able to fulfill the function of drafting and vetting all legislation. The two lawyers in Parliament are also able to provide legal advice to Committees and members of Parliament.

In 2007, a team from the UNDP visited Parliament to design a parliamentary strengthening project. The project design was completed but the project did not commence due to funding and bureaucratic issues. In 2009 Parliament decided that it would not proceed with the proposed project in partnership with UNDP, but would still pursue the aims and activities of the project, by seeking assistance from a donor partner. Some of the activities that were identified by the UNDP team as being necessary to strengthen the Parliament of Nauru have already been achieved, notwithstanding that the project and its attendant funding never commenced, including: improved internet access for members and staff, access to computers for members and staff, provision of offices for all members of Parliament, access to independent legal advice for secretariat and MPs, consolidation of laws (commenced), improved access for the public of all laws (commenced). Many of the other tasks involved in strengthening Parliament are still part of Parliament's short term plan looking ahead to 2012.

Committee system

The essential structure of Nauru's Parliamentary Committee System remains largely unchanged since 2005: there are a fixed number of Standing Committees prescribed in the Standing Orders and two Standing Committees created by legislation (the Public Accounts Committee (PAC) and the Constitutional Review Committee – CRC), some of which meet and some of which are dormant, and there are various select committees established for specified purposes in each successive Parliament. In the 18th Parliament for example there have been two select committees established thus far: the Select Committee on Constitutional Amendment Bills (which reported on 10 March 2009) and the Select Committee on Inspector Corey Caleb (which reported on 16 June 2009).

Since 2005 the Committee system has been strengthened in the sense that Committees have met more regularly and have achieved more work; members' attendance and participation in Committees has improved; the standard of Committee's research, evidence gathering and reporting has improved; and Committees have made better efforts to communicate the results of their work to the community, as well as airing some committee proceedings on radio and television. In particular, a great deal of work has been done by Committees in respect of the constitutional review process:

- the CRC has met regularly since the 16th Parliament in 2006 and has designed and guided the whole constitutional review process;
- the Select Committee on Constitutional Amendment Bills met intensively for five weeks at the start of 2009; and
- the Committee of the Whole Parliament spent two weeks of sitting days in June and August 2009 considering and making final amendments to the Constitutional amendment bills.

There is still room to further strengthen the Committee system, in particular:

- to review and rationalize the number of standing committees, so that defunct committees are either revived or abolished and all committees that formally exist also actively fulfill their role;
- to revise the Standing Orders that apply to Committees, so that some of the distinctions between Standing and Select Committees that may impede the work of Committees can be removed;
- to complete the recruitment process currently underway for a full time Secretary to the Public Accounts Committee (with tertiary qualifications in accounting or finance) and ensure the PAC meets on a regular basis and fulfills all of its statutory functions and duties; and
- to strengthen the capacity of more junior members of the Parliament Secretariat staff to provide secretariat services to Committees, so that Committee work does not fall to the Clerk of Parliament and the Parliamentary Counsel alone.

Standing Orders

The Standing Orders have not yet been reviewed, but will require review as a result of the constitutional amendments recently passed by Parliament, and will therefore have to be

completed before the commencement date of the constitutional amendments, which is anticipated to be early 2011.

Short-term Sector Goals Strengthening Governance Institutions	Short-term Strategy: Strengthen and build capacity for the legislature
	Milestone: Short term: Leadership code enacted

Milestone has been partially achieved

Since 2005, a draft Leadership Code Bill has been prepared, but this Bill has not yet been introduced to Parliament. The primary reason that the bill has not yet been introduced is that it is interrelated with proposed constitutional amendments: it is proposed that the amended Constitution would include provision for a Leadership Code, which would include the essential features of the Leadership Code and its principles (and which would have the virtue of being difficult to repeal or amend, by reason of being part of the Constitution), and that this constitutional provision would be supplemented by a complementary Act of Parliament that provides for the administrative details of how the Code is enforced, etc.

In August 2009 Parliament passed the *Constitution of Nauru (Parliamentary Amendments) Act 2009*, which means that Parliament has approved, among other things, the insertion in the Constitution of a Leadership Code. This is one of the constitutional amendments that can be achieved without approval by referendum, so it will go ahead regardless of the outcome on the referendum that is to be held later in 2009 on other constitutional changes. The anticipated commencement date of the constitutional changes is early 2011. It is therefore likely that the draft Leadership Code Bill will be finalized and passed by Parliament prior to the commencement of the Constitutional changes, to come into effect at the same time as the constitutional changes. This will therefore remain a short term goal for 2012.

Short-term Sector Goals Strengthening Governance Institutions	Short-term Strategy: Strengthen and build capacity for the legislature
	Milestone: Short term: Ombudsman Commission and Leadership Tribunal established Medium term: Ombudsman Commission and Leadership Tribunal operating effectively

Milestone has been partially achieved

This milestone has not been achieved for the same reasons spelled out in respect of the preceding milestone re the Leadership Code Act. A process of constitutional review has been in train since 2004, with most of the process having taken place since 2006. This has included proposals for the inclusion of a leadership code and an ombudsman in the Constitution. The proposed leadership code Tribunal would not be established in the Constitution, but would be contained in the Leadership Code Act (see above) that prescribes the detailed mechanics of how the constitutional Leadership Code is administered and enforced. The Leadership Code Tribunal

is still being proposed, and is part of the bill detailed in the preceding milestone, above. The Ombudsman is another of the constitutional amendments that is contained in the *Constitution of Nauru (Parliamentary Amendments) Act 2009*, which was passed by Parliament in August, and which is not subject to approval by referendum but which will proceed as passed, also with an estimated commencement date of early 2011. Thus, whilst neither the Tribunal nor the Ombudsman have yet been formally or tangibly established, the necessary legal groundwork has been laid for their establishment and it is expected that they will both be formed and start functioning in 2011.

Short-term Sector Goals Strengthening Governance Institutions	Short-term Strategy: Undertake the Review of the Constitution	
	Milestone: Short term:	Public consultations undertaken, amendments drafted and constitution amended
	Medium term:	Ongoing consultations and review of Constitution

Milestone has been achieved

At the 2005 Donor Roundtable, UNDP undertook to provide funding and assistance to Nauru's proposed constitutional review. In 2006, the Standing Committee on Constitutional Review (CRC) with technical assistance from UNDP, designed a six-step process of constitutional review:

Step 1: a campaign to raise public awareness of the review and of the Constitution and possible amendments (completed July-Aug 2006).

Step 2: a series of forty public consultation meetings around Nauru, and the receipt of written submissions from the public (completed October-November 2006).

Step 3: the establishment of an independent Constitutional Review Commission that took account of the views expressed by the public through the consultation process and made recommendations for amendment to the Constitution. The Commission worked from the beginning of December 2006 to the end of February 2007, and submitted its report in March 2007.

Step 4: a Constitutional Convention was held over a period of 6 weeks in 2007 to debate the recommendations of the Commission. The Convention consisted of both elected and appointed members. Two draft bills were prepared to reflect the motions passed by the Convention (April-May 2007).

Step 5: consideration of the bills by the Parliament (2007-2009, involving CRC, SCCAB, COTW) – completed with the unanimous passage of the bills by all 15 members who were present on the floor, on 21 August 2009.

Step 6: a referendum on certain proposed constitutional amendments that require approval by referendum (to be conducted in late 2009, only in respect of one of the two constitutional amendment bills: the *Constitution of Nauru (Referendum Amendments) Bill*, which contains those of the proposed amendments that are listed in Schedule 5 to the Constitution and therefore require approval by two thirds of the votes validly cast at referendum).

The first five of these steps have been completed, which means that all elements prescribed in the short term milestone have been completed. The only remaining step in the process is step 6, referendum, which will be held later this year. If the referendum wins the support of at least two thirds of the votes cast, then all of the proposed constitutional amendments will come into effect on the day of the next general election. If the referendum fails in whole or part, then the amendments that do not require referendum (those contained in the *Constitution of Nauru Parliamentary Amendments) Act 2009*, which can be achieved by two thirds of Parliament alone) will be amended to take account of the failure of interrelated referendum amendments, and the surviving amendments will come into effect on the day of the next general election (expected to be early 2011).

Short-term Sector Goals Strengthening Governance Institutions	Short-term Strategy: Build government and community partnership to promote increased community role in governance
	Milestone: Short term: Community members trained on how to participate effectively in government processes Medium term: Community representatives involved in the national development process

Milestone has been partially achieved

Although limited, there has been some training to increase community role in governance. In 2007, the Community Paralegal Training Programme in Nauru was undertaken by the Pacific Regional Rights Resource Team (RRRT) and the United Nations Development Programme (UNDP). This training serves to provide legal training to people who either work in the community with NGOs or educate the community about their legal rights.

The Government has consulted with community groups in a range of areas:

- The Government has established the Government Information Office as a vehicle to inform the general public on Government business.
- In finance, when the Government initially instituted significant austerity measures in response to Nauru's economic crisis (2004 and 2005), the Government presented details of the Budget and sought feedback in each community in Nauru.
- In the area of trade NGO's and the private sector were invited to be part of the formation of the National Trade Committee (NTC). While several representative from the private sector declined the offer they stated that they would like to be updated on the activities of the NTC.
- In Parliamentary issues there have been improvements in making info more accessible (ministerial statements, budget info, bills, acts, speeches etc – through GIO; and committee work, through media broadcast. Looking ahead, part of the 'parliamentary strengthening project' was conducting civic education regarding the role and function of Parliament.

- In the areas of home affairs and culture, the Government has been working with a number of NGO groups such as the Nauru Cultural Resource Community Group and the National Women's Council.

Short-term Sector Goals	Short-term Strategy: Build government and development partners, partnership to support Nauru's development	
Strengthening Governance Institutions	Milestone: Short term:	Development partner coordination framework approved and operational
	Medium term:	Development partner coordination framework operating effectively internally and adhered to by the donor community

Short term milestone has been achieved

The donor coordination framework was approved by Government in 2005 and has been in operation since. The framework is governed by the Aid Management Policy 2005.

Medium term milestone has been partially achieved

The majority of Nauru's donors are utilizing the coordination framework and centralizing all donor programs through the AMU. However, there remain some development partners who are still using old systems which are not consistent with the Aid Management Policy, and therefore, are inconsistent with the objective of ensuring donor transparency.

The development partner coordination framework will realize a more targeted approach with broadening of Nauru's scope for development planning. The Development Planning and Policy Division (DPPD) have scope to develop NSDS sector plans. These plans for education, health, the economy, governance and infrastructure will provide detailed strategies for achieving short and medium term goals in each sector. This is an internal mechanism that can effectively form the basis on which Nauru can engage donors as many of the projects are beyond the financial capability of Nauru to deliver alone. Donors will then be able to coordinate their donor strategies more appropriately with Nauru's needs.

Due to the high turnover of staff in AMU and DPPD and difficulty in filling a number of positions (particularly in DPPD) the development of sector plans has not progressed.