



REPUBLIC OF NAURU

DEPARTMENT OF FINANCE

ANNUAL REPORT
2018-19 AND 2019-20

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Department of Finance
Government Offices
Yaren
Nauru

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ANNUAL REPORT 2018-19 AND 2019-20

FOREWORD FROM THE MINISTER FOR FINANCE



It is my pleasure to present the Department of Finance's annual report for 2018-19 and 2019-20.

Effective institutions and systems of public financial management (PFM) play a critical role in delivering sustainable economic development and poverty reduction – that is, in improving the quality of life of citizens.

Good PFM is the linchpin that ties together available resources, delivery of services and achievement of government policy objectives. If it is done well, PFM ensures that revenue is collected efficiently and effectively, and used appropriately and sustainably.

The Department of Finance drives PFM activities in Nauru. It is responsible for budget and fiscal policy, revenue collection and expenditure management, planning, aid and statistics as well as providing financial services. It strives to continuously improve how it conducts business towards better international practice.

In addition to successfully managing the transition to a new government following the general election in August 2019, the Department has achieved some key milestones over the past two years, including:

- \$140 million funds under management for the Intergenerational Nauru Trust Fund
- Delivering the 2019-20 and 2020-21 Budget and 11 supplementary appropriations
- Publishing the 2015-16 and 2016-17, financial statements, the first for some years
- Ratification of Nauru's 'largely compliant' rating from the OECD Global Forum
- Automation of Customs data processing
- Finalisation of the review of the National Sustainable Development Strategy
- Completion of the Nauru Vital Statistics 2015-2017 report and mini-census
- More than 12,000 bank accounts now open with an average balance of \$18,000.

I want to thank the team in the Department of Finance for their drive and commitment to improving PFM for the benefit of all Nauruans. I'm confident that they will continuously improve systems and processes to better support the delivery of Government priorities and to achieve development outcomes in the year ahead.

Hon Martin Hunt MP
Minister for Finance

July 2020

INTRODUCTION

This annual report explains how resources were used and what was delivered by the Department of Finance during 2018-19 and 2019-20.

The Department of Finance is an important central agency of the Government of Nauru (GON). Its mission is to ensure that the financial resources of the Republic of Nauru are managed in accordance with the law and are utilized in an efficient and effective manner for the development of Nauru.

The objectives of the Department of Finance are to:

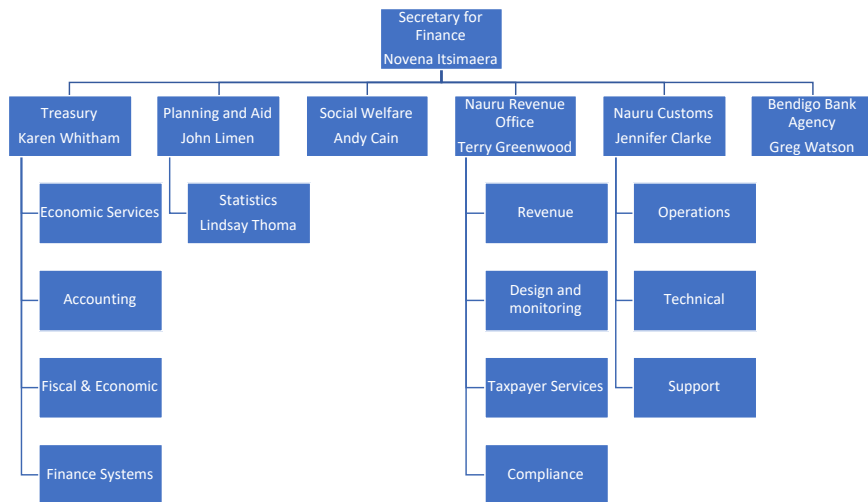
- ensure that the requirements of the Constitution and other legislation that relate to the management of public money are adhered to;
- provide advice to the Minister for Finance and Cabinet on matters relating to the management and use of public money and on the Nauruan economy more generally;
- provide policy advice and options to Government in relation to a wide range of fiscal, economic and development issues;
- provide policy advice and support to improve the financial performance and oversight of SOEs;
- coordinate the development of and monitoring and reporting on the annual Budget and the Development Fund;
- improve the effectiveness of the administration of government revenues thereby improving Nauru's domestic revenue collections;
- coordinate development and review of the National Sustainable Development Strategy (NSDS), including ensuring that NSDS priorities are being given due attention in the annual budget;
- obtain and mobilize donor support for development projects and act as the point of contact for development assistance coordination; and
- monitor Nauru's economic and social parameters and produce data and information that supports an analysis of the effectiveness of existing government policy and inform the development of new policy aimed at addressing Nauru's development needs.

The Department of Finance is comprised of six divisions: Treasury, Planning and Aid Division (PAD), the Nauru Bureau of Statistics, Nauru Revenue Office (NRO), Nauru Customs Office and the Bendigo Bank agency. It also manages various investments and economic services on behalf of the GON. This is illustrated in the figure below.

Over the reporting period the following senior staff changes occurred:

- Novena Itsimaera was appointed as the Secretary for Finance
- Karen Whitham joined as the new Deputy Secretary Treasury
- Jennifer Clarke joined as the new Deputy Secretary Customs
- Andy Cain commenced as Deputy Secretary for the new Social Welfare Division
- John Limen was appointed as the A/g Deputy Secretary Planning and Aid Division

Department of Finance Organisation Chart



COVID-19

The Department's activities in 2019-20 have been impacted by COVID-19. There have been three main impacts:

- Availability of advisors and consultants to progress key projects and reforms has been constrained by travel restrictions and quarantine requirements. PACTAM2 advisors were recalled, and only 'essential' advisors were in country by July 2020. Remote work arrangements are in place, with everyone learning to Zoom!
- Increased risk for frontline staff, especially Customs, who have adapted their work practices to mitigate COVID-19 risks (see photo)
- Social distancing measures have impacted bank customers and others.

The department has updated its disaster recovery and other contingency plans to support its response.



INVESTMENTS AND ECONOMIC SERVICES

The Department of Finance manages the following investments and economic services for the benefit of the Republic of Nauru.

INTERGENERATIONAL TRUST FUND



The Nauru Intergenerational Trust Fund was established in 2015 to contribute to the long-term budgetary self-reliance of the Republic of Nauru. The Minister for Finance is the Chairman of the management committee.

The fund continues to grow through investment earnings and contributions from the Government of Nauru, Australia, Taiwan, New Zealand and initially the Asian Development Bank. As of 30 June 2019, the value of the fund was \$110.8 million, with investment earnings over the year of 8.2 per cent. As of 30 June 2020, the value of the fund was \$140 million, an increase of \$29 million over the year.

With the global economic downturn related to COVID-19, the fund experienced its first negative return since its establishment. However, the fund recovered quickly due to international counter-cyclical government support in global economies and expectations of a vaccine improving market confidence. Mercer International, the investment manager, made some minor rebalancing of investments and is monitoring the investment risks going forward due to continued uncertainty of international markets.

The NTF continues to meet its objectives:

- Achieve a return of inflation + 4.5% over rolling 10-year periods.
- Have a risk of negative returns of no more than 4 years in every 20 years.

NAURU SUPERANNUATION SCHEME (NSS)

The NSS commenced on 1 July 2018 and operates under the *Nauru Superannuation Act 2019* and subsequent amendments. It is a defined contribution scheme with employer contributions set at five per cent of superannuable salary, and matching five per cent employee contribution.

SuperLife, a New Zealand based superannuation fund, manages and administers the NSS on behalf of fund members. The Department for Finance manages the relationship with SuperLife and the NRO is responsible for overseeing compliance with the Act.

As at 30 June 2020 there were 4,153 employee members. This was an increase of 1,101 over the year or 26.5 per cent, due mainly to the scheme becoming mandatory on 1 July 2019 for all employers with one or more employees. The total number of employers in the scheme is now stable at 52+.

The fund value at 30 June 2020 was \$4.9 million. Quarterly contributions are around \$800,000.

Similar to the NTF, the value of the scheme has been impacted by declining market conditions due to COVID-19. Due to the continued economic uncertainty, the current investments are being de-risked towards a more conservative and actively managed balanced fund. This will assist to minimise value volatility in the future.

PARLIAMENTARY PENSION FUND (PPF)

The PPF is a defined benefit superannuation fund established pursuant to the *Parliamentary Pension Act 2008*. The fund is in the process of being supplemented by five annual GON contributions of \$840,000. The first payment was made in 2018-19, and the second in 2019-20, with the third to be made during 2020-21. The required contribution amount was established based on an actuarial study to ensure the PPF can be self funding in the long-term, to a sustainable value to support pension payments.

SuperLife manages all payments to retired parliamentarians as per the Act and is the administrator and investment fund manager. As at 30 June 2020 the value of the fund was \$1.67 million. This is a long-term fund and while negatively affected like the NTF and NSS from COVID-19, the PPF recovered quickly and performance is returning above benchmarks.

The Department of Finance works closely with the Clerk of Parliament to ensure all ex parliamentarians that have entitlements consistent with the Act are paid their pensions from the fund. Currently there are 13 recipients and a quarterly cost to the scheme of \$28,620.

COMMEMORATIVE COINS (WORLD COIN)

Nauru recommenced issuing commemorative coins in 2017. Since the reinstatement of the arrangement, Nauru has issued over 50 new coins. In 2018-19 this service generated \$15,569 in seigniorage (commission revenue into Treasury). In 2019-20 this activity generated \$16,000 in seigniorage. This is based on actual sales of the various coins to coin collectors throughout the world.

Most Pacific Island Countries are involved in this revenue raising with World Coin. Issuing commemorative coins both increases Nauru's revenue and has a positive effect on the image of Nauru.

NAURU FUEL SUPPLY

The Department of Finance manages the joint venture agreement with Vital International to provide fuel services in Nauru. This includes Vital being responsible for the import of various products and the day to day management of the Tank Farm. No shortages or outages of fuel supply have occurred since Vital assumed the management of the fuel supply in 2015.

In 2015, the Government commenced an eight year major engineering upgrade to the Tank Farm to bring the operation to an international standard. This work is expected to be completed by 2023.

In 2018-19 and 2019-20 the Government invested in the works which are expected to be completed in 2023. A new pipe line to the Port is included in this future work which will allow for a possible new fuel bunkering activity for ships using the new Port

During 2019-20, Nauru converted to supply of cleaner 10 parts per million (low sulphur) diesel fuel. This will contribute to Nauru meeting its global commitment to reducing greenhouse gas emissions. It is in line with other Pacific Island Countries and shows Nauru's commitment to a better environment for all its people.

In 2020-21, the Government will commence a re-tender of the fuel supply contract for Nauru. The testing of the market for operation and supply for fuel supplies will ensure Nauru obtains the best value fuel by international standards.

The new all-weather Port will allow for less risk for suppliers and decrease demurrage costs which equate to lower delivery costs. It is expected that these factors will put downward pressure on the price of fuel in Nauru.

FINANCIAL PERFORMANCE BY DIVISION

The following tables summarise the budget expenditure and revenue collected for those Department of Finance divisions funded through the Government of Nauru budget (ie excluding Bendigo Agency). It excludes donor funds.

The divisions are responsible for the expenditure and revenue heads as follows:

- Head 11 Finance Secretariat – Treasury, Planning and Aid Division and Social Welfare Division
- Head 12 Public Debt – Treasury
- Head 13 Bureau of Statistics
- Head 15 Nauru Revenue Office
- Head 16 Finance Other Payments – Treasury
- Head 17 Nauru Customs Office

Finance Expenditure Heads	2018-19 Approved Budget	2018-19 Supp Bills & ISHT	2018-19 Revised Budget	2018-19 Preliminary Actual	2018-19 Remaining Budget	2019-20 Approved Budget	2019-20 Supp Bills & ISHT	2019-20 Revised Budget	2019-20 Preliminary Actual	2018-19 Remaining Budget
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
11 - Finance Secretariat	1,885,038	28,490	1,913,528	1,787,318	126,209	1,915,778	431,933	2,347,711	2,069,364	278,347
12 - Finance -Public Debt	4,165,369	6,846,035	11,011,404	10,480,415	530,989	-	-	-	-	-
13 - Bureau of Statistics	109,797	-	109,797	87,592	22,205	115,413	24,031	139,444	118,555	20,889
15 - Nauru Revenue Office	374,911	54,500	429,411	391,556	37,854	513,709	-	513,709	430,620	83,089
16 - Finance - Other Payments	34,100,097	32,525,568	66,625,665	64,092,090	2,533,575	39,808,697	56,771,569	96,580,266	94,433,616	2,146,650
17 - Nauru Customs Office (NCO)	386,983	-	386,983	370,893	16,090	367,638	167,461	535,099	518,422	16,677
Total	41,022,195	39,454,593	80,476,787	77,209,865	3,266,922	42,721,235	57,394,994	100,116,229	97,570,577	2,545,652

Finance Revenue Heads	2018-19 Approved Budget	2018-19 Supp Bills & ISHT	2018-19 Revised Budget	2018-19 Preliminary Actual	2018-19 Remaining Budget	2019-20 Approved Budget	2019-20 Supp Bills & ISHT	2019-20 Revised Budget	2019-20 Preliminary Actual	2018-19 Remaining Budget
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
11 - Finance Secretariat	20,000	-	20,000	1,357,411	(1,337,411)	10,000	-	10,000	-	10,000
12 - Finance -Public Debt	-	7,064,000	7,064,000	7,039,659	24,341					
15 - Nauru Revenue Office	29,320,000	8,325,700	37,645,700	42,350,638	(4,704,938)	33,220,000	24,800,000	58,020,000	64,976,639	(6,956,639)
16 - Finance - Other Payments	15,423,055	(3,232,071)	12,190,984	8,348,989	3,841,995	19,092,686	(2,336,132)	16,756,554	12,986,977	3,769,577
17 - Nauru Customs Office (NCO)	16,414,307	-	16,414,307	17,868,127	(1,453,820)	14,654,707	-	14,654,707	17,839,137	(3,184,430)
Total	61,177,362	12,157,629	73,334,991	76,964,823	(3,629,832)	66,977,393	22,463,868	89,441,261	95,802,753	(6,361,492)

TREASURY DIVISION

STRATEGIC OVERVIEW

Treasury is established to manage the whole of government Treasury functions for the Government of Nauru (GON), including: fiscal strategy, budget development and execution, and financial control functions. It manages the Treasury Fund that incorporates all revenue and other moneys raised or received by the Republic of Nauru.

Treasury aligns to the NSDS priority for a stable, trustworthy, fiscally responsible government, and two NSDS goals:

- Econ Goal 1: A stable macroeconomic environment conducive to private investment established
- Cross-Goal 1: Strengthen and develop the institutional capacity of the Nauru public service.

Treasury's vision is:

- To ensure the GON's public funds are managed in accordance with the law, in a transparent way that supports accountability, equal treatment, risk mitigation and risk management for the benefit of all Nauruans.

This is supported by Treasury's mission:

- To safeguard GON financial assets, support the achievement of value for money outcomes and improve Treasury systems and processes towards international standards and better practice.

Treasury has also identified the following values: Respect, Communication, Honesty and integrity, Customer service, Professionalism and timeliness.

KEY OBJECTIVES AND ACTIVITIES FOR 2018-19 AND 2019-20

In 2018-19 and 2019-20, Treasury pursued the following key activities:

- Developed and implemented the GON Budget and supplementary appropriations
- Processed whole of government financial transactions
- Maintained a safe and secure Financial Management Information System
- Progressed public financial management reform, including publishing regular financial reports, improving the quality of financial information, State Owned Enterprises (SOE) reform and addressing Government debt.

KEY ACHIEVEMENTS IN 2018-19

Key achievements for Treasury in 2018-19 included the following.

- 2018-19 Budget executed consistent with Government priorities and policy settings
- 2019-20 Budget passed in Parliament on 9 June 2019 (budget strategy, budget meetings etc) consistent with fiscal responsibility ratios and the medium-term expenditure strategy
- Six supplementary budgets delivered and implemented

- Financial Instructions framework developed, with three issued (General Principles, budget and payments)
- Cash reconciliation commenced
- Full configuration of the cash reconciliation module to enable daily reconciliation of the general ledger to the bank account
- Changes to PV workflow to enhance financial controls and ensure segregation and review
- 2015-16 financial statements prepared, published and audited
- Implementation of PFM Reform Roadmap progressed
- Financial transaction processing for whole of government
- Quarterly budget performance reports produced and published on GON website
- Government fixed asset register created, with support from ADB
- Continued phasing out of cash payments and the transition of government payments electronic bank payments. The use of yellow cheques now limited to social welfare benefits, such as elderly and disability payments, and death and birth allowances.
- Established a petty cash imprest system for NRO to facilitate payment of yellow cheques
- Changes to business processes to tighten internal controls and reduce processing errors
- Commenced FMIS infrastructure improvement program to improve the availability and security of the FMIS.

KEY ACHIEVEMENTS IN 2019-20

Building on progress in 2018-19, key achievements for Treasury in 2019-20 included the following.

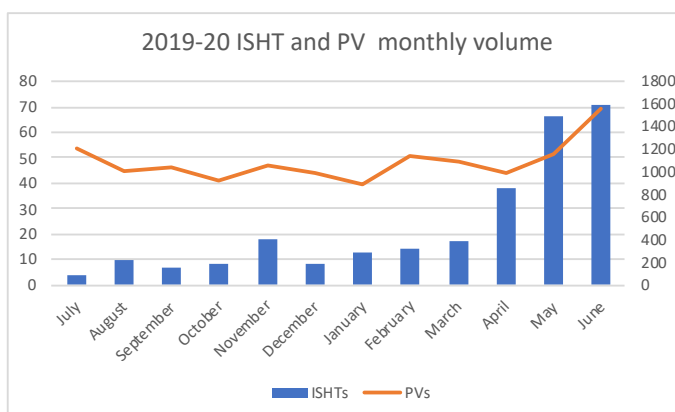
- IMF Article IV financial surveillance visit and report published
- The USD5 million ADB Policy Based Grant (Improving Public Investment Management Program) became effective, with all required policy based actions completed
- ADB Country Programming mission completed successfully, leading to further policy based grants into the future.
- Treasury also supported the COVID-19 response ensuring the timely establishment of COVID-19 funding arrangements and streamlining of procurement and payments processes. Treasury developed the Government's fiscal response to the crisis, including briefing Government and donors as well as sourcing donor funds to support the health and economic response. In 2019-20, COVID-19 expenditure was \$13.4 million, or 8 per cent of GDP.

Objective 1 Developed and implemented the GON Budget and supplementary appropriations

- 2020-21 Budget delivered (budget strategy, circular and briefing templates, budget meetings, cabinet briefing, Budget Speech and Budget Paper No 1 and Budget Paper No 2) consistent with fiscal responsibility ratios and the medium-term expenditure strategy
- 2019-20 Budget executed consistent with Government priorities and settings, including:
 - Five supplementary budgets developed and implemented to reflect the expenditure priorities of the newly elected Government
 - 274 Inter Sub-Head Transfer (ISHT) submissions processed and loaded into the FMIS, an average of five a week (see chart and table). Nearly two thirds of total ISHTs were processed in the final quarter of the year, with a value of \$8.2 million.
- Four quarterly budget performance reports produced and published on GON website

Volume of ISHTs and Purchase Vouchers Processed During 2019-20

2019-20 Month	ISHTs	Purchase Vouchers	
	Number	Number	Daily avg
July	4	1211	61
August	10	1010	51
September	7	1046	52
October	8	919	46
November	18	1061	53
December	8	988	49
January	13	886	44
February	14	1134	57
March	17	1092	55
April	38	984	49
May	66	1156	58
June	71	1554	78
Total	274	13041	54
Monthly Average	23	1087	
Weekly Average	5	251	
Daily average		54	



Objective 2 Processed whole of government financial transactions

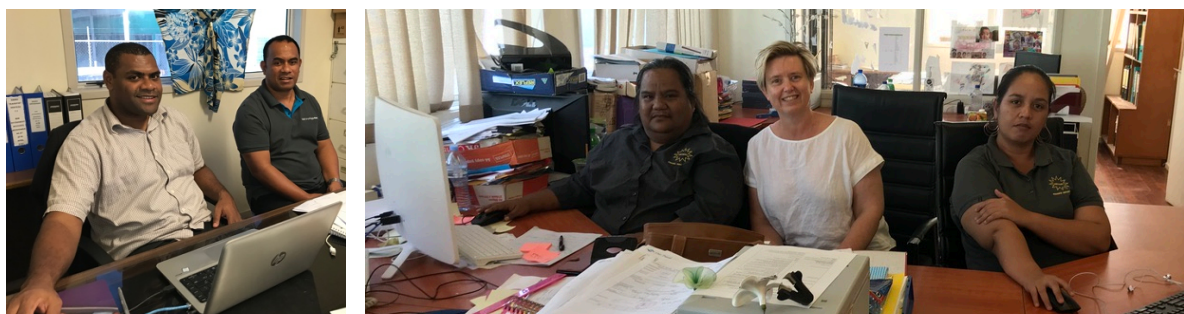
- A total of 13,041 payments (PVs) were processed during 2019-20, averaging around 1000 month or 54 payments a day (see table). Total value of expenditure was \$240 million.
- Reconciliation and acquittal of government payments, including for six Nauru overseas missions and one statutory authority (NRPCC)
- Cash reconciliation progressed for 2019-20 and 2018-19 financial years
- 2016-17 financial statements prepared, published and submitted for audit in December 2019
- 2017-18 financial statements drafted and reviewed
- Treasury Fund cash management, including building up cash reserves and managing the Government's liquidity position. Weekly cash balance monitoring, the establishment of cash management plan and build up of the fiscal cash buffer, consistent with IMF recommendations.

Objective 3 Maintained a safe and secure Financial Management Information System

- Progressed FMIS Infrastructure Improvement Program to improve the availability and security of the FMIS. This included investment in and configuration of new server hardware to improve storage, memory and security, construction of a new server room to protect the server from human interference, and migration of all FMIS services to the new server (FMIS application, FMIS database and Treasury file server (FINUser). This has improved the availability and reliability of the FMIS.
- Upgraded the FMIS Application Production and Test Environment - TechOne application from version 2018B to the latest version of 2019B.
- Completed the configuration and first time entry of Fixed Asset Register into the FMIS Fixed Asset module commencing with the ADB Infrastructure asset listing.

- Utilisation of the FMIS Reconciliation Module for the bank reconciliation
- Daily, Weekly and Monthly managing and monitor the server infrastructure and the FMIS Application and Database.
- Acquisition of additional licenses for the FMIS Modules:
 - 15 additional concurrent licenses for Supply chain to cater for the growing number of FMIS users across Government. Nauru was only licensed for 15 concurrent users when the FMIS was first implemented but with the establishment of new departments over the years, this is quickly reaching capacity hence resulting in delayed payments processes
 - Five concurrent licenses for the Grants Module, a new solution that will automate and improve the tracking and monitoring of projects ensuring that ODA is spent in a timely way consistent with the requirements of each funding agreement.
 - Negotiated the acquisition of 150 additional HR and Payroll licenses at no additional costs to Nauru. The acquisition of new licenses was to ensure that Nauru is not in breach of the contractual licensed agreement with Technology One.
- Supported improved data availability and security for colleagues by establishing a shared drive for Planning and Aid Division (PAD), and file server for NRO that shared drive for TAX and NON TAX information for Nauru Revenue Office operations.

Unfortunately, there was a major data loss during the year, when a virus infected the FMIS server in October 2019. ICT back up servers failed, and only a partial data recovery was possible. The impact was that attachments to the PV record in FMIS were lost between May 2019 and October 2019. New virus protection has been installed, and more rigorous back up procedures have also been implemented to minimise the chance and impact of a future occurrence.



Objective 4 Progressed public financial management reform, including publishing regular financial reports and improving the quality of financial information

- Initiated the Public Finance Management Improvement Plan to ensure unified strategic objectives and focus for reform that was leveraged to support increased donor support. The plan focusses on:
 - quality financial reporting
 - budget preparation and execution (
 - efficiency and effectiveness of expenditure
 - capability building
- The 2017-18 Government Financial Statistics (GFS) Year book was completed and submitted to the IMF HQ via the IMF database following review by the PFTAC GFS advisor

- Completed a review of the Government Expenditure Natural Chart of Accounts to be consistent with GFS classification and trained Departments Budget Officers on its use. The chart of accounts was endorsed by the Cabinet and introduced for 2020-21 budgets
- Commenced the GFS Chart of Accounts Mapping Project. This involves mapping the existing chart of accounts to their corresponding GFS classifications and also to COFOG classifications on the Government's FMIS. Fifty percent of the work has been completed remotely with the consultant including review of the chart, configuration proposal and development of prototype. The remaining project work will be completed in the new financial year
- Financial Instructions were reviewed and road-map developed, with new Bank Reconciliation Instruction (FI-5) issued, and Payroll and Fixed Asset Instructions drafted
- Debt Action Plan was developed and implemented. Key activity including addressing outstanding membership arrears (International Civil Aviation Organisation (ICAO) and Africa, Caribbean and Pacific (ACP)), SOE outstanding debt arrears to other SOEs and suppliers, and BON liquidation payments, including for NPRT. A reconciliation of domestic debt was also completed for the IMF Article IV review
- SOE reform program mapped out, and TA sourced from ADB to support implementation of the new Public Enterprise Act 2019
- New Community Service Obligation Regime established to support SOE reform and alleviate cost of living pressures for Nauruans
- Department of Finance website initiated, and expected to be launched in mid-2020 to improve the transparency and availability of Government reporting
- Internal audit function outsourced, and program commenced with a review of internal Finance controls. This included the establishment of Finance, Audit and Risk Committee to support the Secretary for Finance manage risk.

Also, during the year, revised Treasury organisational structure and job descriptions for all positions were submitted to HR for approval.



FINANCIAL MANAGEMENT INFORMATION SYSTEM

Treasury is the 'owner' of the whole of Government Financial Management Information System (FMIS) supplied by TechOne. Thank you to TechOne for the polo shirts donated to the Treasury team in the photo (right).

Treasury provides access to this system for whole of government, and it is through FMIS work flow that Treasury approves expenditure and recognises revenue for GON.

Treasury supports FMIS users across Government through creation of new users, reset of passwords, modification of profile based on user functions, creation of workflow for new departments etc. Users and profiles for the system include:

- Total Active FMIS users – 186
- Budget Officer and Timesheet Admin Profiles – 88
- Purchasing Officer HoD Profiles – 30
- Human Resources and Payroll Admin Profiles – 9
- PAD Profiles – 17
- Nauru Revenue Officer Profiles – 12
- Treasury Assessor and Approver Profiles- 21
- Budget Administrator Profiles- 5
- System Administrators Profiles - 4

Treasury also provides training for users. Over the reporting period, the following training was delivered.

- Training for all departments on FMIS and the Budget, as well as utilisation of FMIS for recording donor transactions and revenue transactions for relevant staff.
- Invoice module training was delivered to Multicultural Affairs and Transport.
- Revenue training for NRO

The table below shows the FMIS modules that are used in Nauru.

FMIS Functionality	
Financial	Human Resource and Payroll
General and subsidiary Ledgers & Management Functions	Human Resources and Payroll
Accounts Payable	Recruitment
Accounts Receivable	Employee Development
Archive Financial Transactions	Organisation Management
Reconciliation	Training
Cash Accounting	Timesheet Entry
External System Interface	Forms
Supply Chain Management	Grants
Enterprise Budgeting	Fixed Assets

MAJOR CHALLENGES AND ISSUES

The key challenge for Treasury is the recruitment and retention of staff with the necessary experience, skills and qualifications to deliver best practice public financial management. Treasury has invested in staff training and is actively seeking to recruit appropriately qualified staff, as well as leverage technical assistance from donors including Australia (PACTAM2), ADB and PFTAC.

COVID-19 has also presented challenges, with key reform projects delayed due to the inability of consultants to travel to Nauru.

NEXT STEPS

For 2020-21 Treasury will continue to support the Government of Nauru to deliver on its objectives through the development, delivery and execution of the budget and supplementary appropriations. Treasury will continue to pursue PFM reform and resolve legacy performance and reporting issues. It

will also progress a policy based grant with the ADB with a focus on debt management, SOE reform, as well as financial and asset management.

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

Treasury was the beneficiary of the following technical assistance during 2018-19 and 2019-20.

- PACTAM2 – two long term in-line placements: Deputy Secretary Treasury and Corporate Services Manager (FMIS). The Deputy Secretary Treasury changed in October with Karen Whitham replacing George Plant.
- PFTAC – support for implementation of IPSAS cash reporting
- PACTAM2 – short term bank reconciliation advisor.

TRAINING

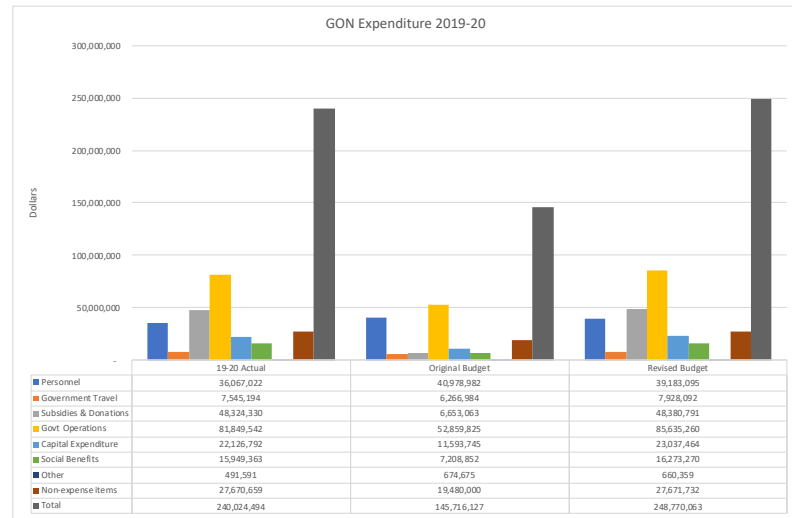
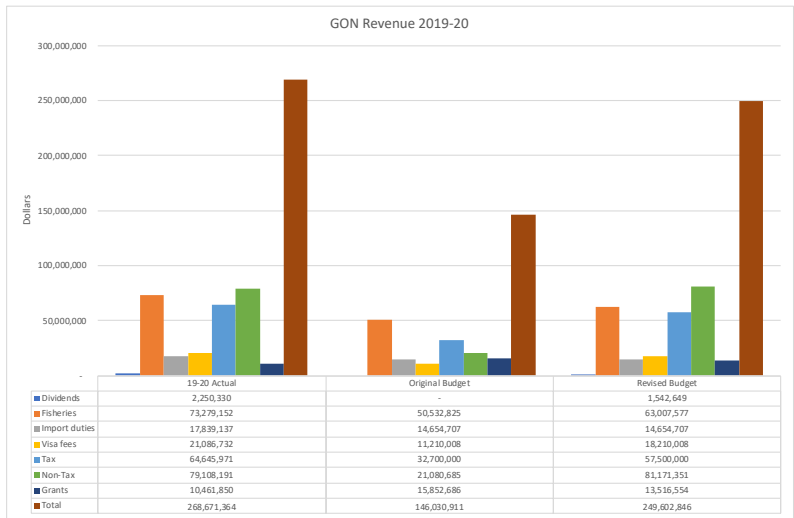
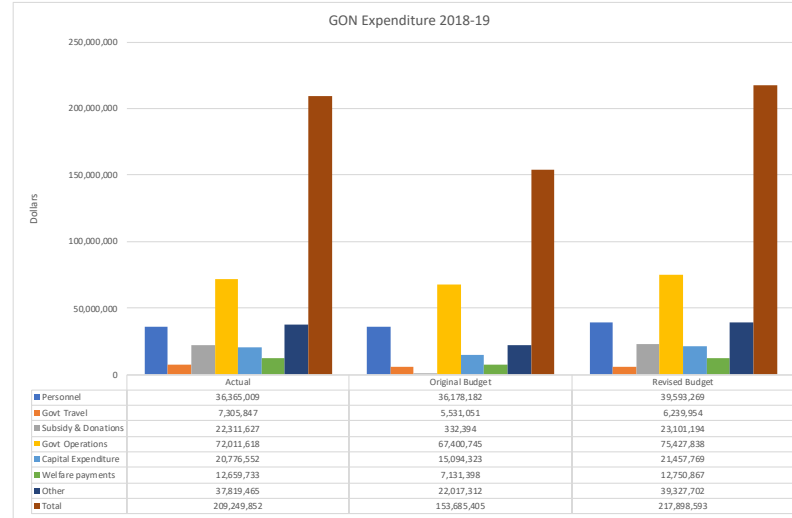
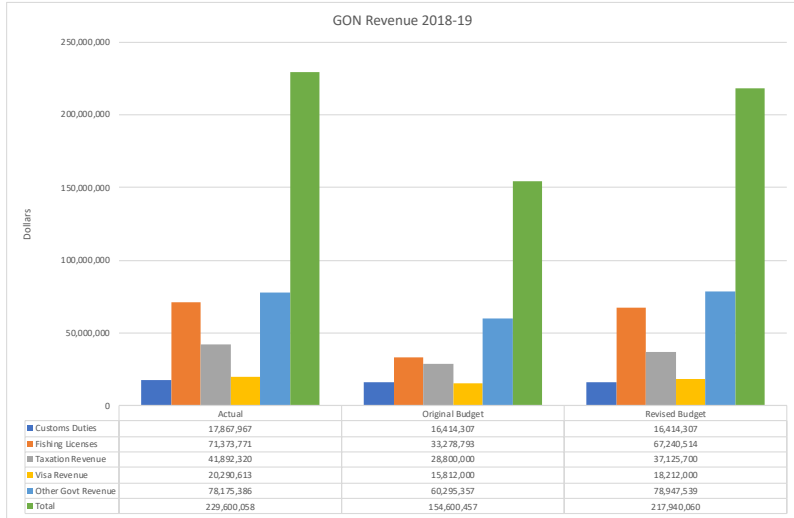
In addition to some staff attending USP through the year, the following international training was attended by Treasury staff.

Course	Provider	Location	Date	Attendees
IPSAS Cash Reporting	PFTAC	Fiji	Jan 19	David Raj, Wenette Deije, Atunasia Baleimatuku
Prince2 Practitioner	EU	Brisbane	April 19	Stephanie Tebouwa
Fishing Revenue Workshop		Honiara	Aug 19	Kana Gadeongin
GFS Workshop	PFTAC	Nadi, Fiji	Aug 19	Kismina Gadeanang, David Raj
2019 International Public Sector Accounting Standards Boards Roundtable and Capacity Building	ADB	Manila	Oct 19	Raemyna Itsimaera,
5th Electronic Government Procurement (e-GP) Conference of the Asia Pacific Public Electronic Procurement Network	ADB	Manila	Oct 19	Wenette Deije
AMS Training - Enterprise Budgeting, Fixed Asset, System Admin, XLOne Training	TechOne	Brisbane	Feb 20	Wayman Harris and Atu Baleimatuku, Scott Roland



GOVERNMENT OF NAURU BUDGET PERFORMANCE

GON Budget Performance: 2018-19 and 2019-20



PLANNING AND AID DIVISION (PAD)

STRATEGIC OVERVIEW

PAD is established to lead the National Sustainable Development Strategy and manage international development assistance provided to Nauru. PAD's activities align with Cross-Goal 1: Strengthen and develop the institutional capacity of the Nauru public service

PAD's vision, mission and values mirror those of the Department of Finance: Effective and efficient allocation of resources for the development of Nauru.

PAD Core Mandates:

- Oversight of the National Sustainable Development Strategy (NSDS) implementation through sectoral and agency plans
- Support the formulation of sector strategies and AOPs
- Primary coordinator of Official Development Assistance to Nauru
- Custodian of development funds
- Facilitate implementation of ODA-supported activities.

KEY OBJECTIVES AND ACTIVITIES FOR 2018-19 AND 2019-20

Key objectives include:

- Measurable progress toward achievement of the National Vision and goals, attributable to effective, efficient and coordinated use of internal and external resources
- Clear, timebound and actionable sector strategies are adopted by line agencies
- Policy makers and leaders are better informed with respect to development planning, prioritization and decision-making
- Development funds used in a timely, effective and accountable manner; and managed in compliance with legislative and partner agreement requirements and good practice
- ODA activities are consistently delivered to the expectations of all partners.

KEY ACHIEVEMENTS IN 2018-19

- NSDS 2019-2030 was finalised after comprehensive public consultations and input from all stakeholders. Launch of the updated NSDS was put on hold due to the elections.
- One meeting of the National Development and Planning Committee was convened during the period.
- Voluntary National Report for progress against the Sustainable Development Goals was developed and presented at the UN General Assembly in New York.
- Completion of major projects including the Learning Village and Sports Complex supported by the Government of Australia, and ground-breaking for the Nauru Sustainable and Climate Resilient Connectivity Project (Port Project), a project funded by the Asian Development Bank,



Government of Australia and Green Climate Fund with the Government of Nauru. The Government of Japan has also made a contribution.

- Stakeholder consultations undertaken for the Public Expenditure and Financial Accountability & Assessment of National Systems reviews by the Government of Australia.
- Continued advocacy and assistance for the development of Annual Operating Plans (AOPs), management of Development Funds, administration of donor agreements and support to visiting missions and bilateral meetings.

KEY ACHIEVEMENTS IN 2019-20

- A record number of 35 Annual Operating Plans (AOPs) were submitted during the annual budget cycle. Due their crucial importance in good governance and maximising effective outcomes, FY19/20 saw a renewed push for the development of AOPs. The increased submissions reflected a simplified approach combined with strong messaging and hands-on support from PAD.
- Emergence of the COVID-19 pandemic brought new challenges including a rapidly expanded role for PAD in the coordination of requests and administration of donor funds to prevent and prepare for outbreak response.
- The last six-monthly independent audit of the Australian operational account resulted in a much-improved outcome including the removal of legacy items and no new major findings.
- The new Nauru Integrated Infrastructure Strategic Plan was finalised during the year, incorporating a new function for PAD. Thus, the inaugural update of NIISP priority list was undertaken in alignment with the annual budget process.
- Internal systems strengthening saw the creation of a Development Fund database which provides enhanced analysis and reporting capabilities, which have been put to use in the budget papers and annual Development Fund report.
- The first high level consultation with Australia was held in December 2019. PAD coordinated comprehensive preparations, which resulted in a successful meeting of officials.
- During the year, PAD consulted with key stakeholders and identified the runway resurfacing; as an urgent priority and initiated discussions with Australia to access support through the newly launched Australia Infrastructure Financing Facility for the Pacific. In-principle agreement from Australia has been received and PAD is leading the development of this project.
- During FY19/20 PAD undertook a review of its structure and budget, and received approval for an updated establishment and revised budget, within the previous ceiling



MAJOR CHALLENGES AND ISSUES

The key challenge for PAD is the recruitment and retention of staff with the necessary experience, skills and qualifications to support the work of the team.

NEXT STEPS

For next year, PAD will focus on monitoring and evaluation of NSDS progress; achieving compliance with the *Development Fund Act 2011* reporting requirements; increase submission rate of Annual Operating Plans (AOPs); address development audit findings; and broaden the analysis of development fund expenditure.

TECHNICAL ASSISTANCE RECEIVED

During 2018-19, a short-term TA was engaged in support of the NSDS update. In early October 2019, PAD welcomed a new long term advisor engaged under PACTAM2.

TRAINING

In 2018-19, two PAD staff completed work attachments as follows:

- 6-months with Forum Islands Secretariat – Economic Sector planner
- 6-months at Asian Development Bank – Social Sector planner.

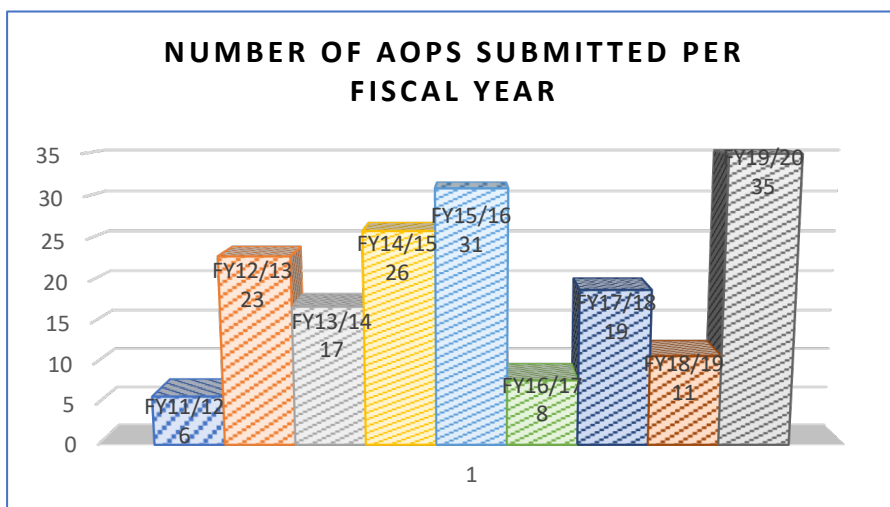
In 2019-20,

Two PAD staff members currently undertaking study:

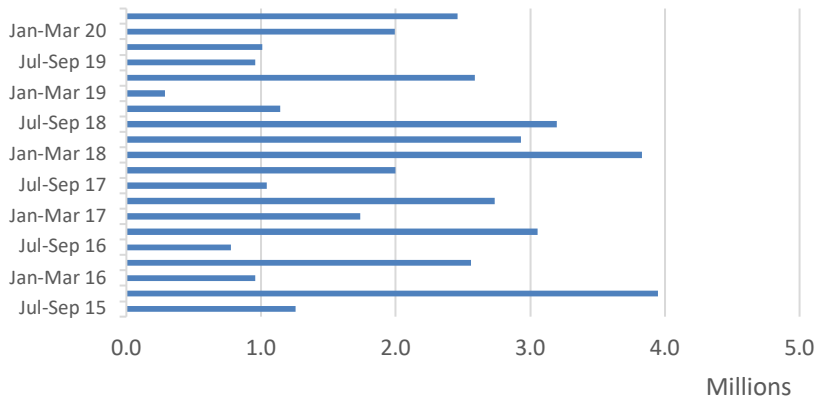
- Bachelor of Accounting, University of South Pacific – Economic Sector planner
- Graduate Diploma Governance, University of South Pacific – Social Sector Planner

One PAD staff currently on secondment with major development project as the Assistant Project Manager – Ports Development Project.

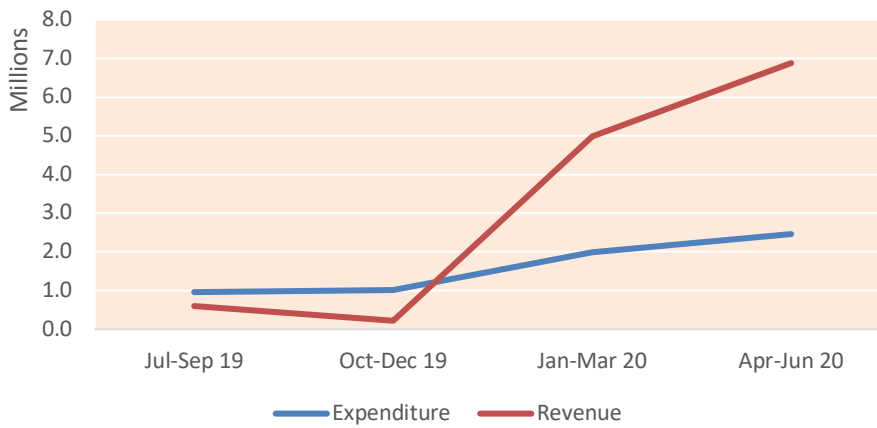
KEY STATISTICS



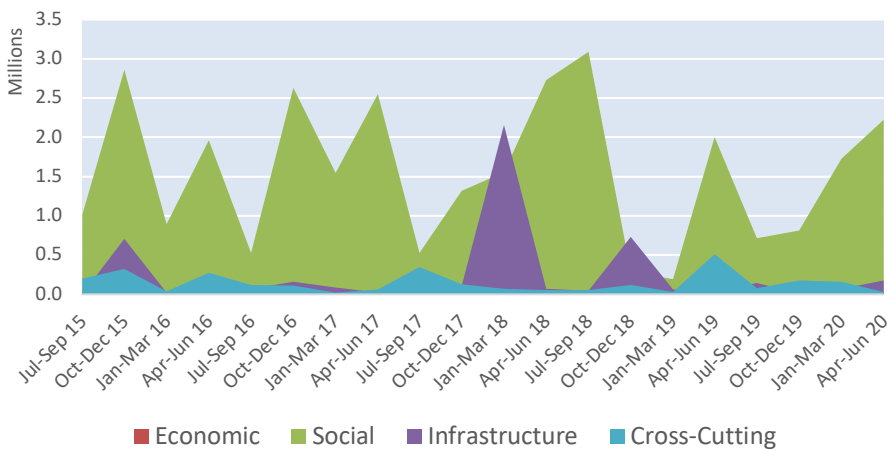
Comparative development fund expenditure



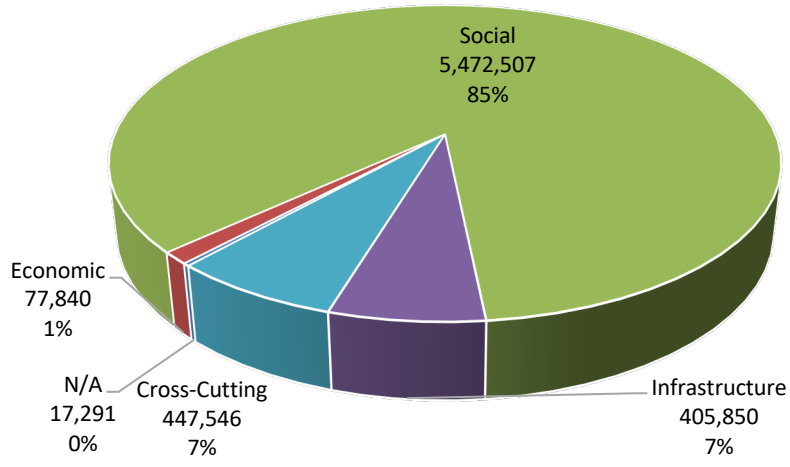
FY19-20 Dev Fund Expenditure vs Revenue



Quarterly spend per NSD priority sector



FY19/20 Expenditure by NSDS Priority



NAURU BUREAU OF STATISTICS (NBS)

STRATEGIC OVERVIEW

NBS is established as the central statistics office in Nauru. It works in close partnership with the Pacific Community Statistics for Development Division, where most statistical material is published.

NBS vision is:

To be the central authority and major producer of credible and timely official statistics in an environment of evidence based decision making for sustainable development in Nauru.

The vision sets out the journey on which NBS is embarking to lead activities in the statistical arena to enable all agencies in the government of the Republic of Nauru to embrace and use the data which is widely available to make informed policy decisions.

The NBS mission is:

To provide leadership and trust in official statistics fostering evidence-based decision making for sustainable social and economic growth in three phases:

1. Coordination of the National Statistical System (NSS)
2. Training and capacity building
3. Mainstreaming of official statistics for policy, development and planning”

The mission represents the core of NBS business activities. Through the regular collection and compilation of statistics across a broad range of sectors that allow NBS to provide honest, quality, reliable and timely statistical information. NBS will assist clients and stakeholders to develop sound policies to improve the governance, of economic and social conditions which affect Nauru.

To improve and maintain the integrity and reputation of NBS, the values outline how we as an office interact and this value is also reflected in adherence to the 1992 Statistics Act as well as to the Public Service Act and relevant legislation.

The values are: honesty and integrity, accountability, initiative, responsiveness, accessibility, professionalism/institutional development and confidentiality/data security.

KEY OBJECTIVES AND ACTIVITIES FOR 2018-19 AND 2019-20

The key objectives for the statistics office relate to implement its core functions including:

- Vital Statistics latest data
- Support for IMF Article IV mission
- Nauru mini-census
- Nauru multiple indicator cluster survey
- Trade and CPI statistics

KEY ACHIEVEMENTS IN 2018-19

- Compile up to date figures for vital statistics
 - Year 2017 and year 2018
 - Births, deaths and mothers aged 15 to 49 years

- Maintain compilations and timely releases of prices (CPI)
 - Consumer price index quarterly FY2018-19 and publications distributed through GIO email services
- Update fuel watch figures
 - Average prices for fuel by quarter FY2018-19
- Update of GDP and BOP figures by TA mission from IMF
 - Drafting figures for 2016 and 2017
- Update of international merchandise trade statistics using mirror data sources from main trading partners
 - Figures for 2017 and 2018
- Drafting the Nauru Strategy for the Development of Statistics 2019-2023
 - In country mission by the Statistics Division of the Secretariat of the Pacific Community during April 2019
 - Invited key stakeholders to participate in two weeks training related to drafting each section based on relevant sectors
- Statistical involvement with the Voluntary National Report (VNR) related to data indicators – March 2019
 - Drafting the Voluntary National report with PAD by in-country TA support from the development partners from UNDP, ESCAP-Pacific Region and Statistics Division from the Secretariat of the Pacific Community
- UNICEF TA mission to Nauru in preparation for the Multiple Indicator Cluster Survey (MICS) – April 2019
 - Draft survey workplan for MICS 2019-20
 - Draft survey budget for MICS 2019-20
- Drafted the Nauru Vital Statistics 2015-2017 report during the analysis report writing workshop in Nadi Fiji on August 2018. It is a collaboration effort between representatives from the NBS, the BDM Registry and the RON Hospital Health Records.



KEY ACHIEVEMENTS IN 2019-20

- Vital Statistics latest data 2018-2019
 - The data compilation for total number of births and deaths 2018 and 2019 were sourced from the RON Hospital Medical Records
 - The fertility rate and mortality rate were being calculated using the total number of births and deaths by the population projections for year 2018 and 2019.
- 2019 Nauru Mini Census successfully completed in October 2019
 - Activity included recruiting 40 enumerators, training on use of the tablet and enumeration guidelines, review and publication of data
 - Census was supported by GON, Unicef and SPC, who provided the tablets
- Information for IMF Article IV mission, including supporting TA missions and data collection
- IMF Article IV 2020 release was published in the IMF official website in January 2020
- International Merchandise Trade Statistics (IMTS) were updated to 2018 and published through GIO and the official website under the Secretariat of the Pacific Community
- Consumer Price Index Survey (CPI) reporting was published for December 2019 (Q2). Q1 was not undertaken due to the census, and Q3 was not completed due to social distancing in response to the COVID-19 pandemic. Q4 is expected to be published in July 2020.

MAJOR CHALLENGES AND ISSUES

The major challenges to successful collation and publication of statistics include:

- Timely access to accurate records and evidence to support statistical collections, including willingness to share information
- Availability of capable staff with the right skills, training and experience to collect and analyse data, which as constrained the frequency and quality of statistical collections and reporting
- COVID-19 travel restrictions have impacted on the ability to collect and analysis statistics due to consultants not being able to visit Nauru to undertake surveys etc

NEXT STEPS

In 2020-21 the NBS will adapt its work practices to the new COVID-19 environment and seek to use virtual online meetings and remote working to ensure the continued delivery of its core business. Key initiatives for the year include:

- Compile, collate, analyse, publish and disseminate economic (CPI, international merchandise trade statistics, national accounts and balance of payments) and social (vital statistics, student enrolments, labour force and demography) statistics.
- Nauru mini-census – publish census fact sheets
- Multiple indicator survey – complete survey and publish data
- Household income and expenditure survey – undertake survey
- Nauru Census – preparatory work for a full census in 2021

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

Activities	Technical Agencies
Vital Statistics	ESCAP, SPC, ABS
2019 Mini Census Listing Analysis	Statistics-SPC
National Accounts and Balance of Payments	IMF, PFTAC
International Trade	Statistics-SPC
Multiple Indicator Cluster Survey (MICS) 2020	UNICEF
Household Income and Expenditure Survey (HIES)	Statistics-SPC

TRAINING

Workshop Training	Date	Venue	Sponsors
Sampling Training Workshop	24 Feb – 03 Mar 2020	Nadi, Fiji	UNICEF
International Trade work attachment training	24 Nov – 01 Dec 2019	SPC- New Caledonia	SPC
IMF workshop	26 -29 Nov 2019	Bangkok, Thailand	IMF
Agriculture SDG Goal 1	3 – 9 Nov 2019	Nadi, Fiji	FAO
Strengthening monitoring SDGs	19-20 Sep 2019	Port Vila, Vanuatu	SPC/ UNDP
Gender Statistics	16-18 Sep 2019	Port Vila, Vanuatu	SPC/ UNDP

KEY STATISTICS

SOCIAL STATISTICS	INDICATORS	LATEST YEAR/ SOURCE
Total Population	11,550	2019 MINI CENSUS
Male Population	5,871	2019 MINI CENSUS
Female Population	5,679	2019 MINI CENSUS
Crude Birth Rate (CBR) per 1,000 population	26.8	2019 RONHOSP
Crude Death Rate (CDR) per 1,000 populaton	9.2	2019 RONHOSP
Net Attendance Ratio: Early Childhood Education (AGED 4-5)	53%	2019 MINI CENSUS
Net Attendance Ratio: Primary (AGED 6-11)	90%	2019 MINI CENSUS
Net Attendance Ratio: Secondary (AGED 4-5)	43%	2019 MINI CENSUS
With Disabilities	252 (2.5%)	2019 MINI CENSUS
ECONOMIC STATISTICS	INDICATORS	LATEST YEAR/ SOURCE
GDP AT Constant Price (CHANGE %)	0.6	IMF Article IV Release 2020 JANUARY
GDP AT Constant Price (CHANGE %) COVID19 PANDEMIC IMPACT	-1.7	IMF World Economic Outlook 2020 APRIL
Value Of Imports (AUD\$) million	63,1	2018 Partner Countries - mirror data
Value Of Exports (AUD\$) million	11,8	2018 Partner Countries - mirror data
Balance Of Trade (AUD\$) million	-51,3	2018 Partner Countries - mirror data
Imports From Australia (AUD\$) million	53.2	2018 ABS Australia mirror data
Imports From Fiji (AUD\$) million	7.5	2018 FBOS Fiji mirror data
Imports From NZ (AUD\$) million	2.5	2018 Stats NZ - mirror data
Exports to Asia Region (AUD\$) million	3.5	2018 Partner Countries - mirror data
Exports To Oceania (AUD\$) million	3.3	2018 Partner Countries - mirror data
Exports To Other Region (AUD\$) million	4.9	2018 Partner Countries - mirror data
Labour Force Participation rate (%)	63%	2019 MINI CENSUS
Employment-population ratio (%)	52%	2019 MINI CENSUS
Unemployment-rate (%)	18%	2019 MINI CENSUS
CPI annual percentage change	1.23	Dec 2018 to Dec 2019

NAURU REVENUE OFFICE (NRO)

STRATEGIC OVERVIEW

NRO is established to manage the cashiering role of government in respect of all cash receipts and disbursements. NRO also administers the gaming and taxation legislation, as well as superannuation compliance.

NRO aligns to the NSDS priority for a stable, trustworthy, fiscally responsible government, and two NSDS goals:

- Econ Goal 1: A stable macroeconomic environment conducive to private investment established
- Cross-Goal 2: Strengthen and develop the institutional capacity of the Nauru public service.

NRO's vision is:

- To become a highly professional organization, trusted by the community to equitably raise revenue to support the development of Nauru and its people.

NRO's mission is:

- Responsible for collecting revenues owing to the government in a timely manner, whilst promoting voluntary compliance by applying the various legislative codes and adopting best practice models relative to the administration of Revenue.

NRO has identified the following values: The NRO commits to carry out its mission by providing high quality service, honesty, transparency, integrity and equity for all taxpayer clients

KEY OBJECTIVES AND ACTIVITIES FOR 2018-19 AND 2019-20

The key objectives for the NRO relate to implement its core functions including:

- Timely collection of revenue
- Enforcement and compliance with revenue legislation
- Engagement with international institutions to support better practice revenue collections and compliance

KEY ACHIEVEMENTS IN 2018-19

- In June 2019, Nauru received ratification from OECD Global Forum of our "largely compliant" rating with OECD Standards as a result of the Fast Track review undertaken by Global Forum assessors.
- Tax revenue collections continued to increase during the year, with total tax collected of \$41.3M.
- NRO continued to work collaboratively with Customs to ensure a replacement revenue for customs duties in the event that the PACER Plus Free Trade Agreement was ratified.
- Progress continued with close working relationships developed with a focus on compliance with OECD Standards, EU Base Erosion and Profit Shifting Inclusive Framework minimum

standards commitments, PFTAC diagnostic review outcomes and other international compliance requirements as they arose.

- NRO now has all relevant forms, information brochures, Q&A's etc available online at the Department of Finance website.
- NRO tax division developed a Compliance Improvement Strategy (CIS) to ensure potential risks to the revenue identified and addressed. The CIS will be implemented in the 2019-20 FY.

KEY ACHIEVEMENTS IN 2019-20

- Tax revenue collections continued to increase during the year, with total tax collected of \$64.6M. Additional non-tax revenues of \$0.30M were also collected.
- NRO continued to work collaboratively with Department of Foreign Affairs and Trade, and Customs, to ensure a replacement revenue for customs duties when the PACER Plus Free Trade Agreement is ratified. IMF (PFTAC) is currently undertaking a tax policy review, the outcome of which will result in recommendations in relation to further taxation and fiscal reforms.
- Progress continued with close working relationships developed with a focus on compliance with OECD Standards, EU Base Erosion and Profit Shifting Inclusive Framework minimum standards commitments, PFTAC diagnostic review outcomes and other international compliance requirements as they arose. Nauru continues to be classified as "Largely Compliant" with OECD Standards and has remained clear of the EU non-cooperative tax jurisdictions "grey listing".
- NRO now has all relevant forms, information brochures, Q&A's, tax rulings etc available online at the Department of Finance website, and is currently in the process of publishing "Tax Determinations" on the website to assist taxpayers in complying with tax obligations.
- NRO tax division implemented a Compliance Improvement Strategy (CIS) in January 2020 to ensure potential risks to the revenue are identified and addressed. This is an ongoing process and will be further enhanced during the 2020/2021 financial year.

MAJOR CHALLENGES AND ISSUES

Continuing challenges were experienced in recruiting sufficiently qualified and experienced staff to work in the administration of the taxation laws.

COVID-19 pandemic issues have impacted NRO operations since March 2020. The PACTAM sponsored Tax Implementation Adviser has not yet been mobilised and so is unable to provide any support in the administration of the tax laws. The Tax Implementation Adviser has subsequently been recruited in July 2020, with mobilisation dependent upon COVID-19 travel restrictions.

NEXT STEPS

- A revised Compliance Improvement Strategy will be implemented to address potential revenue leakages through non-compliance with the taxation laws. The CIS will be closely monitored and adjustments made as required.
- Capacity building of staff will continue through on-the-job training and staff attendance at international training workshops, travel permitted.
- COVID-19 impacts on operational activities will be closely monitored and remedial actions implemented as required to mitigate any potential risk to revenue leakage.

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

NRO was the beneficiary of the following technical assistance during 2018-19 and 2019-20:

- Long term: PACTAM2 – one long term in-line placement: Dep Sec Revenue, and one long term adviser: Tax Implementation Adviser (until March 2020)

TRAINING

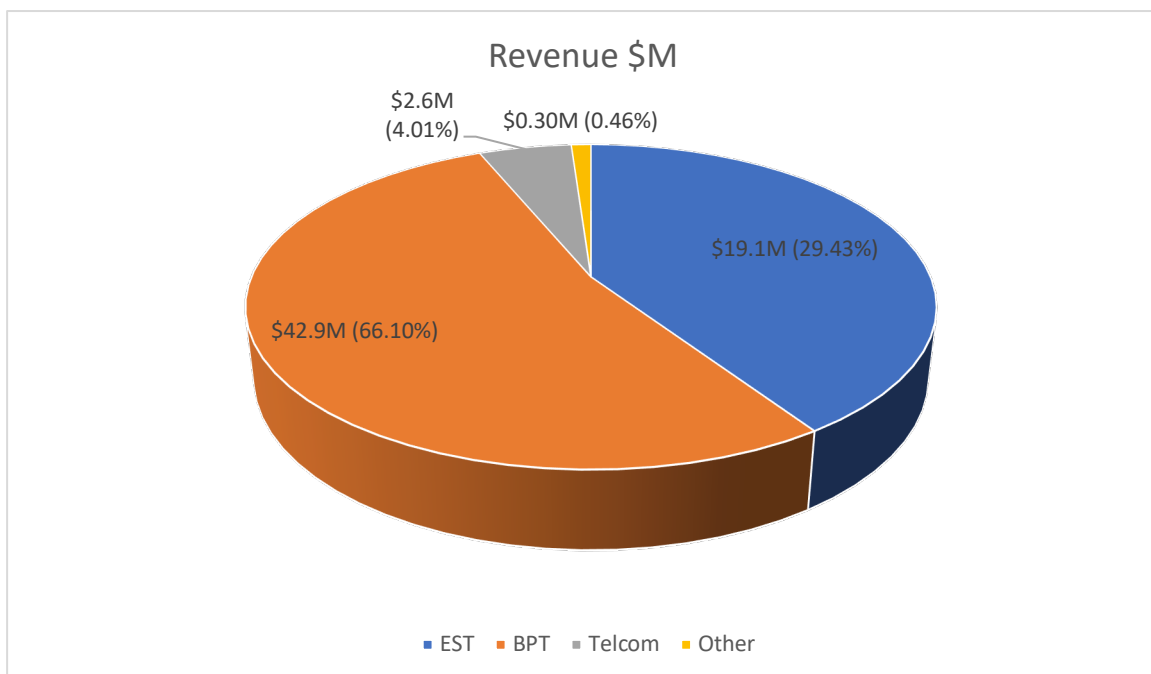
The following training was attended by NRO staff during the year.

- Internal tax administration training – a total of 39 training sessions covering taxation registration, filing, processing, payment, compliance
- International training workshops – a total of 9 staff attended 5 workshops on tax administration in Fiji, hosted by PITAA/PFTAC, and one in the Philippines hosted by the ADB/OECD

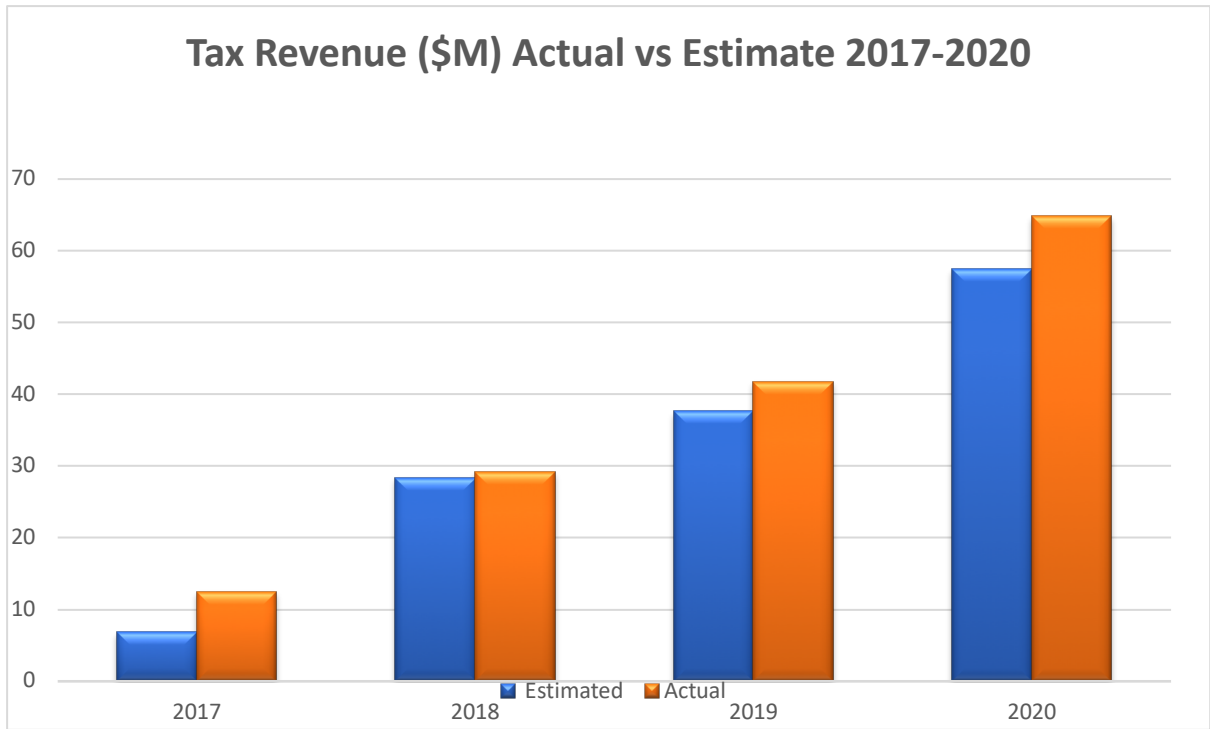


KEY STATISTICS/KPIs:

Total revenue of \$64.9M collected by NRO during 2019-20 is broken down as follows.



The following chart highlights the upward trend in taxation revenues from 2016-17 to 2019-20.



NAURU CUSTOMS OFFICE (NCO)

STRATEGIC OVERVIEW

The core functions of the Nauru Customs department involve revenue assessment of import duties, economic development through trade facilitation, protection of economic interests, security and the protection of society. The department has aligned its operations with national goals as identified in the Nauru Sustainable Development Strategy (NSDS) 2019-2030:

Customs aligns to the NSDS priority for a stable, trustworthy, fiscally responsible government, and two NSDS goals:

- Econ Goal 1: A stable macroeconomic environment conducive to private investment established
- Cross-Goal 2: Strengthen and develop the institutional capacity of the Nauru public service.

The organisation’s Mission and Vision statements outline the department’s fundamental purpose and its view of the desired future. Core values indicate the set of principles which serve to guide its approach and commitment to standards of service delivery. The mission and vision statements were updated in February 2020 following a two day staff workshop.

OLD VISION STATEMENT	NEW VISION STATEMENT
To practice modern customs methods in line with international best practice and trusted by the community to collect revenue whilst balancing the facilitation of trade with the community protection expectations.	Spirited and committed to being regionally recognised as a reference and model administration, utilising our valued human capital to be a frontrunner in applying Customs best practices and international standards on revenue protection, trade facilitation and border security.
OLD MISSION STATEMENT	NEW MISSION STATEMENT
Our mission is to be a professional government agency that is an example to other departments.	Our mission is to serve our customers professionally, efficiently and with integrity, through facilitation of legitimate trade and travel, timely and fair assessment of lawful revenues owing to government, and effective border protection. Applying international best practices, we work towards ensuring compliance with all Customs-related laws and regulations, in order to assure the fiscal and socio-economic sustainability of the Republic of Nauru.
ORIGINAL SET OF CORE VALUES	REVISED SET OF CORE VALUES
<ul style="list-style-type: none"> • Professionalism • Integrity • Accountability • Transparency • Responsiveness 	<ul style="list-style-type: none"> • One Organisation • Results-focused • Responsive • Professionalism • Partnership & Engagement • Accountability & Integrity

KEY OBJECTIVES AND ACTIVITIES FOR 2018-19 AND 2019-20

Key objectives identified for the FY 2018-19:

- Improved revenue collection
- Strengthening of the customs legal framework

- Establishment of a fully automated process environment
- Trade facilitation
- Improved compliance and enforcement
- Movement towards PACER Plus Ratification
- Capacity development.

KEY ACHIEVEMENTS IN 2018-19

Notwithstanding certain challenges as later highlighted, the year was marked by a number of noteworthy achievements:

- Strengthening of the Legal Framework
 - Amendments to the Customs legislation to bring provisions in line with international standards and best practices
- Automation of Customs Data Processing
 - Migration from PC Trade to PC Trade Blue and the use of trader self-assessment of duty liabilities.
- Trade Facilitation and Strengthened Controls
 - Transposition from the WCO's Harmonised Classification System (HS) 2012 to HS 2017.
 - Provision of dedicated office space at the Nauru Port for Customs personnel resulting in increased throughput, reduced turnaround times in cargo examination, increased trade facilitation and improved service delivery.
 - Implementation of a system of licensing of Customs Brokers. Capacitation of a select group of individuals on Customs import and export processing requirements aims towards greater compliance with Customs laws and regulations.
 - Use of fixed non-intrusive X-ray scanning technology to increase detection of contraband, as well as other prohibited and restricted goods.
- Compliance and enforcement
 - Use of surveillance equipment for monitoring and control and integrity management.

KEY ACHIEVEMENTS 2019-20

Key outcomes achieved during 2019-20 include:

- Submitted proposal for Organisational Restructuring and Staff Pay & Grade Reclassification
- Revised Job Descriptions for positions in all functional work areas
- Mapped Business Processes (Current 'As-Is' State of the Organisation)
- Recommendations for Reengineered Business Processes (Future 'To-Be' State of the Organisation)
- Costed Training Implementation Plan
- Implementation of new border control procedures
- Revisions to the Electronic Single Administrative Document and Stakeholder Communications on procedural changes
- Advances towards ratification of the PACER Plus Agreement
- Strengthened Controls and Integrity Measures

Customs also supported the Government's 99 response, including attending Taskforce meetings, coordinating the distribution of personal protective equipment, developing and implementing new protocols and guidelines for aircraft and passenger clearances, and for ships, and for inward and outward clearances of vessels

MAJOR CHALLENGES AND ISSUES

The department continued to face challenges in a number of operational areas, including:

- Limited functionality of PC Trade Blue - As a spreadsheet based application, PC Trade is currently unable to generate reliable statistics to aid in Government macro-economic planning;
- Lack of applied training in core technical areas such as Valuation, Post Clearance Audit and Risk Management. Approaches to risk assessment and risk management are currently not in line with international standards and best practice
- Lack of training in non-technical matters such as leadership and other soft skills areas;
- Language training – Lack of knowledge of Customs officers in reading, writing and speaking of Chinese language; and
- Attendance, including sickness absence.

NEXT STEPS

For the next financial year, the department will focus efforts on the following key strategic priorities:

- **Revenue Collection:** Work with the NRO to propose strategies which will address the shortfall in revenues occasioned by planned regional integration through ratification of PACER Plus;
- **Organisational Strengthening:** Implement the approved revised organisational structure and recruit and select staff for deployment to the new functional work areas;
- **Compliance and Enforcement:** Maximise available technologies including use of available non-intrusive X-ray scanning equipment to ensure high levels of compliance with customs and border control laws and regulations;
- **Capacity Development:** Ensure ongoing development of staff competencies in technical and non-technical areas;
- **Stakeholder Engagement:** Consult and continuously engage with the trade community, as appropriate, to design new policies and procedures and communicate changes as appropriate;
- **Customs Professionalisation & Integrity Management:** In addition to automated controls, implement other strategies and measures to safeguard integrity and minimise the institutionalisation of corrupt behaviours; and
- **Gender Mainstreaming and Gender Empowerment:** Mainstream gender issues into work involving the administration of Customs and further advance work with stakeholders on the programme on "Small Business Entrepreneurship: Women in Trade".

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

The Customs Office was the beneficiary of TA in the form of one long-term adviser serving in the role of Deputy Secretary. Funding of this position was made available under the PACTAM2 programme.

During the reporting period, the organisation also benefitted from donor-funded short term technical assistance missions as outlined below:

No.	Description of Mission	Donor	Missions	Duration
1.	Support to the operations of PC-Trade Blue	NZStats	2	10 days
2.	Additional awareness raising and technical assistance in preparations for ratification of PACER Plus	AusDFAT, Canberra	1	5 days
3.	Scoping Mission, Project Implementation of ASYCUDA World	AusDFAT/NZMFAT	1	5 days

TRAINING

During the period 2018-19, capacity was developed at both managerial and non-managerial as follows:

- **Training in key technical areas:** The WCO 'The Harmonised Classification System'; The WTO General Agreement on Tariffs and Trade; Valuation Methods; Post Clearance Auditing; Vessel Search and Rummaging; Investigation; Cargo Inspection; Narcotic Inspection Kit; X-Ray Scanning; Passenger Search and Interview; and Baggage examination.
- **Joint-interagency training.** Two officers were exposed to training on 'Prosecution'.
- **Trainer Certification** on Rules of Origin (ROO). The department's Trade Manager was certified by the OCO as a trainer on ROO matters. Certification involved delivery of the course to a cohort of local participants.
- **Training in Project Management** undertaken by the Principal Customs Officer.

In 2019-20, the team attended the training outlined in the table below.

NAME	TRAINING	DATE OF COURSE	DAYS OF COURSE	LOCATION	SPONSOR
David Detudamo	Regional Workshop-Pacer plus transparency provisions	19 to 28 Jul '19	5	Brisbane	PACER Plus
Jessen Cain	Regional Workshop-Pacer plus transparency provisions	19 to 28 Jul '19	5	Brisbane	PACER Plus
	Mechanism for Ozone depleting substances and HFC control	12 to 17 Aug '19	6	Palau	UN
Jessen Cain	Pacific Harmonized Commodity Description & coding system(PACHS)	16 to 20 Sep '19	5	Nadi Fiji	OCO
David Detudamo	PACER plus signatories Meeting	29 30 Oct '19	2	Vanuatu	NZ MFAT
David Detudamo	Pacer Plus ASYCUDA project launch	11 to 17 Nov '19	2	Solomon Is.	UNCTAD
Jessen Cain	Customs change management & Gender Equality	2 to 6 Dec '19	8	Suva Fiji	OCO
Desiree Bill	Customs change management & Gender Equality	2 to 6 Dec '19	8	Suva Fiji	OCO
David Adeang Junior	Regional Vessel Search & Border Fundamentals	2 to 13 Dec '19	14	Sydney	IBCP
Managers and Staff (10)	Customs Modernisation, Strategic Planning and Strategic Management	10 to 11 Feb '19	2	Nauru	GON
David Detudamo	Customs Intellectual Property Right Enforcement	10 to 13 Feb '20	3	Nadi Fiji	OCO and USPTO
Tomtom Tsiode	Twinning for PIC ozone & Customs officers on strengthening monitoring & enforcement				

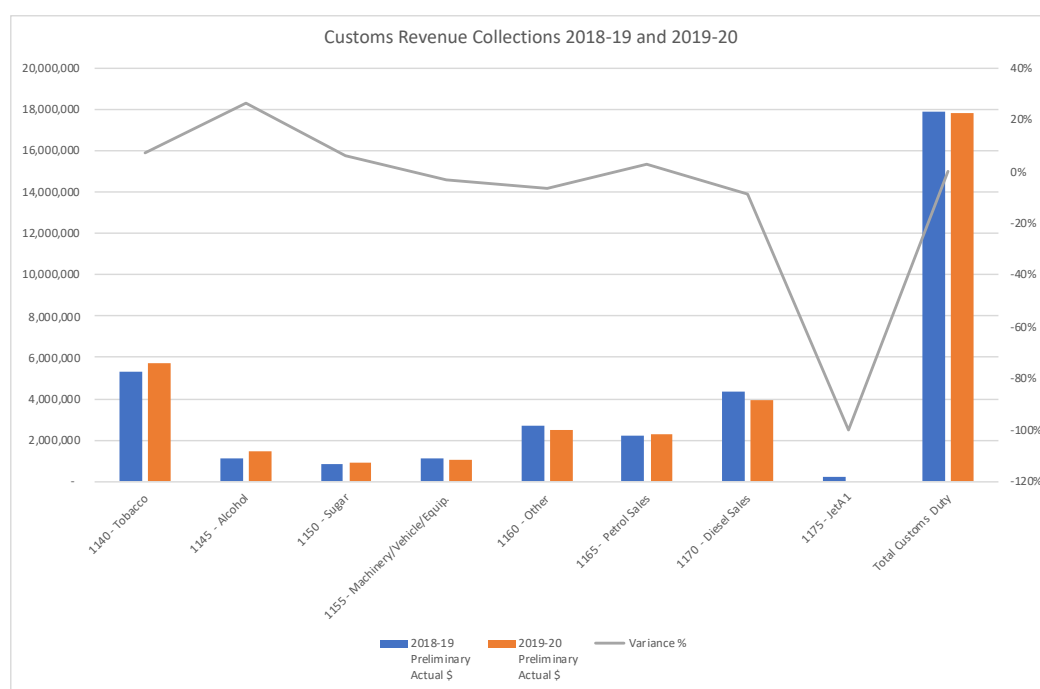
In house training was also undertaken during the year. The picture shows the opening ceremony of the Workshop on 'Customs Modernisation, Strategic Planning and Strategic Management' delivered to ten (10) members of staff at the managerial and non-managerial levels. The 2-day event held on the 10th and 11th February, 2020 was officially opened by the Secretary, Finance. Outputs of the training included the development of new organizational Mission and Vision Statements, amendments to core values, as well as the identification of a set of strategic priorities that would serve to guide Customs operational functioning.



KEY STATISTICS

The following table provides data on customs collection under the various government accounts for 2018-19 and 2019-20.

Description	2018-19	2018-19	Variance	2019-20	2019-20	Variance
	Revised Budget	Preliminary Actual		Revised Budget	Preliminary Actual	
	\$	\$	%	\$	\$	%
1140 - Tobacco	4,772,288	5,338,101	12%	4,772,288	5,716,626	20%
1145 - Alcohol	2,019,600	1,133,629	-44%	1,460,000	1,429,190	-2%
1150 - Sugar	642,419	851,084	32%	642,419	903,922	41%
1155 - Machinery/Vehicle/Equip.	680,000	1,096,543	61%	680,000	1,058,734	56%
1160 - Other	3,000,000	2,676,933	-11%	2,800,000	2,495,292	-11%
1165 - Petrol Sales	2,200,000	2,238,392	2%	2,200,000	2,294,837	4%
1170 - Diesel Sales	3,000,000	4,323,557	44%	2,000,000	3,940,535	97%
1175 - JetA1	100,000	209,729	110%	100,000	-	-100%
Total Customs Duty	14,654,707	17,867,967	22%	14,654,707	17,839,137	22%



Two-year comparative data shows that for the FY 2019/20, import duties collected exceeded collections for the FY 2018/19 along four (4) collection areas. Total revenue of AUD 17,839,139 was 99.8% of Customs incomes generated for the FY 2018/19, which stood at of AUD 17,867,967, a small variance or minor shortfall of AUD 28,828.

Import and Export Processing

Customs shifted operations from a system of assessment of duties by Customs Officers to revenue collection based on traders' self-assessment of their duty liability. Assessments are submitted using the Electronic Single Administrative Document (ESAD). During the reporting period Customs processed a

total of 650 declarations for airfreighted consignments and a total of 1,334 declarations for sea freighted consignment imported onboard six voyages into Nauru.

Airfreight	Decs Processed	Sea freight	Decs Processed
ON400	150	V82	210
ON500	160	V83	181
ON002	135	V84	121
ON018	110	V85	210
ONO42	95	V86	312
		V87	236
Totals	650		1334

Vessel Arrival and Departure

The table below provides data on inward and outward vessel arrivals and departures, as well as the number of containers discharged during the reporting period. A total of 31 vessels were granted inward clearances, a decrease by two in the total number of cargo ships arriving during the same period 2018/19. Total number of containers discharged reduce 66 per cent between 2018-19 and 2019-20, in part reflecting the impact of the Coronavirus pandemic and delays due to quarantine and border closures.

No	Description	Inwards		Outwards	
		2018-19	2019-20	2018-19	2019-20
1.	Vessel	9 cargo ships 5 phosphate vessels (95,235 mt of phosphate)	7 cargo ships 6 tanker ships 2 phosphate vessels 12 Landing crafts 2 fishing boats 2 tug boats	9 cargo ships 5 phosphate vessels (46,500 mt of phosphate)	7 cargo ships 6 tanker ships 2 phosphate vessels 12 Landing crafts 2 fishing boats 2 tug boats
2.	Containers Discharged	1908	1254	1963	n/a

A total of 46,500 metric tonnes of phosphate was exported on two vessels in 2019-20 (Tao Star, 21,500mt and Ivs Magpie 25,000mt).

Travel

Customs continues to focus efforts on facilitation of compliant travellers and continual reductions in average processing times for the clearance of passengers. In 2019-20, as shown in the table below, Customs processed 15,550 incoming international passengers and 16,663 outgoing international passengers, a decrease of 56% and 68% from the 2018/19 totals of 27,773 and 24,476 respectively.

From as early as the end of January, 2020, flights were limited due to the COVID-19 pandemic. Inwards /outwards flight operations were reduced to fortnightly, resulting in a reduction in the number of passengers arriving into Nauru averaging around 40-60 per flight every fortnight. The total number of passenger flights arriving into Nauru between March 2020 and July 2020 (from the height of the COVID-19 pandemic to the end of the reporting period) was 14.

No	Description	Inwards		Outwards	
		2018-19	2019-20	2018-19	2019-20
1.	Aircraft	504	234	504	234
2.	Air Passengers	27,773	15,550	24,476	16,663

Protection

As part of its mandate of societal protection, Customs successfully intercepted several small consignments of smuggled tobacco concealed using various methods. Illustrated are a few examples of innovative means being used by the travelling community to evade customs duties payable on tobacco and tobacco products.

Compliance and Enforcement

One of the key drivers of Customs modernisation is the application of modern state of the art technologies to assist in risk assessment and the application of risk management techniques. In 2019, Customs took possession of a RapiScan 636 Mobile X-Ray Scanning Unit donated to the GON by the government of Japan. The Unit, which uses non-intrusive inspection technology will be



deployed to various locations to screen small packages/consignments in a timely and cost-effective manner. The Unit will assist in the verification of commodities, as well as in the identification of threats. Whilst in the initial stage 100% onsite inspection using the Scanner might be the continued method of operation, planned use of a risk-based intelligence-led approach in the not too distant future will result in an identification of those consignments for automatic release, as opposed to those targeted for inspection using the non-intrusive scanning technology, thus assisting in efforts at trade facilitation. The Mobile Unit, soon to be commissioned for deploy is illustrated below.

OTHER ACTIVITIES

Nauru Customs sees it a responsibility to assist, where appropriate, in the furtherance of national priorities, as laid out in various high-level institutional documents such as the NSDS 2019-2030. In 2019-20, Customs assisted in progressing three of the Government's national strategic priorities, namely:



- Gender Equality and Women Empowerment;
- Rule of Law; and
- Environmental Management.



In support of efforts to demonstrate government's zero tolerance for Domestic Violence against women, Customs participated in the December 2019 White Ribbon Day winning second prize for the team poster.

To support the implementation of government's waste management policies, including policies on waste dumping, Customs focused on ensuring that condemned seized and withheld goods were destroyed in an environmentally friendly manner. The images below demonstrate eco-friendly waste disposal of five hundred cartons of alcohol. Instead of the usual practice of dumping at the landfill, cardboard cartons and glass bottles were placed through the crusher at the Rehab Centre.



NAURU AGENCY OF BENDIGO BANK

STRATEGIC OVERVIEW

The Department of Finance operates an agency of Bendigo and Adelaide Bank to provide banking services to Nauruans, consistent with the GON's financial inclusion objectives for Nauru. The Agency has successfully served the people of Nauru since 2015, and celebrated its fifth anniversary in 2019-20.



The Agency's vision is

- to help increase the development of the Nauru economy, and the economic well-being of all Nauruans through a high standard of Financial Inclusion and Financial Literacy on Island, exceeding the standard of its Pacific Island neighbours and approaching that of Australia.

The Agency's mission is:

- with the assistance of Bendigo Bank, to help promote and provide Nauru with the platform for a wide range of modern and convenient banking products and services which will help underpin future wealth creation on Nauru.

The Agency has the following values

- Agency and its staff to build and maintain the confidence of Government and members of the public in the Australian banking products and the consistency of service available on Nauru, by exhibiting the highest standards of honesty, personal integrity and customer focus in all their dealings; and
- Agency and its staff, will fully meet the expectations of Bendigo Bank by close observance of all their policies, procedures and the contractual undertakings given to them by Government, which will enable strict regulatory compliance to be achieved.

KEY OBJECTIVES AND ACTIVITIES FOR 2018-19 AND 2019-20

The Agency will continue to promote financial literacy and inclusion. In 2018-19 and 2019-20, the agency provided a limited range of deposit and saving products to customers, consistent with the products offered by Bendigo and Adelaide Bank in Australia.

These services included:

- Everyday Transaction account, which includes a MasterCard Debit card to allow worldwide access to the account using ATMs and EFTPOS and the facilitation of online shopping. To this is also added E-banking access, typically via Smartphone. This account can be **fee-free** (subject to some terms and conditions); and
- EasySaver savings accounts, which can be funded by automated payday transfer from Everyday transaction accounts; but
- Some unemployed /low income members of the community could build a banking relationship starting with a low cost Savings account (with unlimited access to **fee-free** E-Banking) and benefit from interest on account balances calculated daily and paid monthly. Later, an Everyday

Transaction account may be added when accumulated savings or employment circumstances improve.

Services/Access provided from Australia but serviced locally include: ATMs -12 Third Party (Australian) ATMs serviced/maintained locally. All cards accepted, ATM, Debit and Credit. Processing in Australia is in real time. Transaction fees are charged as ATMs are provided by a third party.

Services/Access provided from Australia but facilitated locally include: Account facilitation on Island without going to an Australian call centre:

- Nauruans when in Australia can fully operate on and (transparently) transact locally
- Cards – ATM cards, MasterCard Debit cards (for individual and businesses) – available for use globally in ATMs and EFTPOS and for online purchases with no restrictions and with no exchange control formalities
- Internet banking - Payments: real time transfers to Australian bank accounts; receipts into bank accounts of Nauruans from any bank in Australia
- Smartphone apps to allow Nauruan to Nauruan and other bill payments, in real time (75% of Digicel customers on Nauru have smartphones)
- Bulk Payments – APCA batch payments, in bulk, to Australian bank accounts including those of Nauruans – all payrolls on Nauru are now typically paid this way;
- Telegraphic Transfers (with the exception of some currencies and countries) to bank accounts anywhere in the world;
- Foreign Currency accounts (USD);
- Non fund-based facilities – Guarantees; Letter of Credit and other trade facilities;
- Foreign currency cash purchasing – no two-way activities, due to lack of tourism.

KEY ACHIEVEMENTS IN 2018-19 AND 2019-20

Growing Financial Inclusion

- A total of >12,000 Bank accounts (all) – a 10% **increase** from 11,000 accounts in 2018-19;
- A total of >11,400 personal customer accounts – an **increase** from 10,600 in 2018-19
- The number of personal customers with cards is now 72% or >8,600;
- The number of personal customers with internet banking is now 72% or >8,600;
- The number of school age children (of which there are ~3,800) with bank accounts is now increasing rapidly, and is at about 50%;
- 40,000 ATM transactions a month, valued at \$8.3 million compared to 29,000 valued at \$5.3 million in the prior period. There are 3.5 ATM transactions for every agency one.



Growing the Account Portfolio (savings)

- Liability products totalled ~\$216 million in 2019-20, a 66% **increase** from \$130 million in 2018-19;
- Average account balances of \$18,000 an **increase** of 53% from \$11,750 in 2018-19.
- Personal customer transaction and savings balances now an average of \$2,000 up from an average of \$1,000 in 2018-19.

Growing the Resilience of the Agency

- Income grew by 17% and, while expenses grew by 0.1%: revenues increased by 36%.

Growing the Capability (Turnover) of the Agency

- EFTPOS Transactions by Nauruans (overseas) has grown to 22,000 transactions per month, valued at \$1.14 million per month compared to 16,000 per month valued at \$0.94 million in 2018-19;
- Full-time staff of 19, (up from 18 in prior period)
- Transactions totalling 9,600 per month valued at >\$39 million in 2019-20 compared to >10,600 transactions and \$31 million in value for 2018-19; and
- In 2019-20 the Nauru customers generated >1.2 million transaction totalling >\$2 billion.



NEXT STEPS

In the coming year, the Agency will explore the following expansion in products.

- EFTPOS – up to 50 devices on Island and up to 450 on order with a wide-rollout to all merchants on Island as circumstances permit. EFTPOS devices per head of population figures will equate to Australia;
- Christmas Club accounts– pending FSRA Tier 2 accreditation for sufficient Agency staff;
- Prepaid Travel card – ongoing discussions;
- Microfinance Lending, and to some SMEs – under discussion.

TRAINING

During the past year, all staff were required by Bendigo Bank to do continuous, (monthly basis) online learning. This is mainly for compliance reasons.

All new staff are required to do induction training. This is usually conducted in Bendigo. Four staff were involved in 2018-19 and 2019-20.

Six staff are nearing completion of their FSRA Tier 2 training via Deakin University. This will allow these staff to give advice on banking products and general insurance.

In addition, every two months Bendigo Bank sends staff to Nauru to conduct face to face, on the job training for all staff. With COVID-19 this review has been done online.

