



REPUBLIC OF NAURU

2018-19 BUDGET

BUDGET PAPER 2

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FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2018-19

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PART 1: Economic Outlook

The expectation that the Nauruan economy will not grow during 2018-19 remains unchanged¹. The expected contraction of the economy in 2017-18 has been reduced from 4% to 3%. Whilst no new economic data is available this revised forecast is consistent with Government baseline revenues during the year. Uncertainty remains regarding the numbers of refugees remaining on the island and the operation of the Regional Processing Centre.

There has been no change to expectations of medium term growth of around 2% per annum. The forecast for 2019-20 is 1.5%. The last figures for domestic inflation² confirmed the reduction from 4.53%³ to 1.57% which is consistent with it moderating to around 2% over the medium term. The price moderation maybe the result of improved Port operations. There has however been no increase of phosphate exports flowing from the replacement of the deep-water moorings.

Revenue from fishing revenues has been above expectations mainly due to a US Treaty payment from 2016-18 being received in this financial year. Next year whilst the fishing effort is expected to remain largely the same revenue from this source is expected to fall. Phosphate production and export targets have not been achieved during the year with poor mining production by NRC being the cause. Ronphos is proposing to take over the mining operation this financial year and to commence mining of the secondary phosphate. Economic viability of the operation has yet to be proven.

¹ WEO Nauru database April 2018, IMF

² June 2017 Quarter, Nauru Bureau of Statistics, July 2017

³ March 2017 Quarter CPI Nauru Bureau of Statistics

PART 2: State Owned Enterprises

This section provides a brief overview of the objectives and financial expectations of the SOE's in 2018/19

Ronphos

RONPHOS's key strategic objectives for the 2018-19 financial year are the establishment of an in-house mining capability and the successful commencement of secondary mining.

The end of primary mining and the forecasted delayed start of secondary mining will result in minimal physical production for the first 6 months of the year. As capital becomes available, required equipment for secondary mining will be progressively purchased. This will allow physical production to steadily increase.

RONPHOS Corporation assumes the following assumptions and outcome.

- 1) Assumes RONPHOS owner mining, as of 1 July 2018.
- 2) Assumes some NRC mining equipment is transferred to RONPHOS at a \$0 cash cost.
- 3) Sets a sales target of 170,000 exported tonnes for the financial year ending 30th June 2019.
- 4) Assumes a phosphate sale price of US\$102/mt, an exchange rate of US\$0.75; A\$1.00 and total sales revenue of \$22,545,009 for the financial year ending 30th June 2019.
- 5) Assumes the provision of a secondary mining investment loan from GON (\$6,700,000), made possible through the support of the Taiwanese Government.
- 6) Includes a GON's debt repayment of \$4,283,780 within the first quarter of the financial year. This funding is required to meet forecasted operating cash flow deficits expected during the transition from primary mining to secondary mining.
- 7) Has an allocated operating expenditure of \$27,488,089 to achieve the projected sales target. The deficit is due to the very low production within the first six months, plus the high level of budgeted maintenance. The budget includes an initial \$400,000 expenditure for repairs to the cantilevers and the purchase of spare parts for mining equipment transferred to RONPHOS.
- 8) Includes a repayment of \$892,604 towards the \$6,700,000 loan from the GON. Total debt repayment, including employee long service provisions, is set at \$1,092,604.
- 9) Has allocated \$4,400,000 towards Capital Expenditure for the procurement of secondary mining equipment, excluding the purchase of rotatable spares. This initial capital outlay is only 23% of the ideal capital investment outlay projected in the secondary mining business case.

As no balance sheet was produced for the budget it was not possible to review the current state of liquidity for Ronphos or to review to actual cashflow requirements for the 2018-19 year. It was also not possible to clearly determine to cost of production of a tonne of phosphate based on actual Nauru costs and not industry standard costings. This is the key to the viability of secondary mining. The move to secondary mining will require a substantial ongoing investment above the short-term requirements in this budget.

Nauru Rehabilitation Corporation

The 2018-19 NRC budget brings a return to the core objective as the primary phosphate reserves are depleted. This objective as per the Act is: *...”to coordinate, promote, partake, identify, initiate and carry out projects for the rehabilitation and development of the worked out and unworked out phosphate land”*. The need to diversify revenue sources with Ronphos taking back the mining of the secondary phosphate will be critical to the future of NRC.

NRC will face challenges in this return to their core namely - land rehabilitation and environmental engineering due to our weak liquidity situation and reliance on donor funding going forward. The NACOS is virtually exhausted. NRC will also retain its community services obligations with the support of the GON.

Their aim is to rehabilitate 25% of topside or around 400 ha. This will take decades to accomplish. Donor funding will be key with all existing stakeholders and partners. NRC will work within the NSDS. They are looking towards SPC assistance going forward.

The budget is prepared on conservative basis within the restraints of the donor funding limitations. It is geared for land development, support for infrastructure projects, supply of aggregate for the local market and potential exports of armour rock for Tuvalu and other pacific countries.

Total revenue is budgeted at \$ 9.1 million with expenditure of \$ 6.0 million. Major revenue items include (balance is misc.):

- Aggregate \$ 5.3 million (59%)
- Road Maintenance \$1.0 million (11%)
- Land clearing \$730,000 (8%)
- Seawall construction \$ 500,000 (5%)

Major expenditure items:

- Salaries (Local) \$1.86 million (31%)
- Rehabilitation (land development \$ 1.58 million (26%)
- Plant and equipment \$1.38 million (23%)

The NRC balance sheet was presented for the budget showing a deficit in net worth. Future (donor and or GON) external funding will be required for the NRC future work.

Eigigu Holdings Corporation

Eigigu Holding Corporation (EHC) has undergone several major management changes from both board appointment level to the operational management team. Eigigu Holdings Corporation has 7 subsidiaries namely, Eigigu Supermarket, Menen Hotel, Enigin, Eigigu Transport, Eigigu Hardware, Eigigu Constructions and Civic Centre in Nauru.

Eigigu also have hotel namely: The Great Eastern Hotel in Majuro, Marshal Island. The hotel remains under dispute and unfortunately there is no revenue coming. Eigigu Holdings Corporation is taking care of expenses for this overseas subsidiary with landowners, lawyers, registration and travelling expenses to resolve the disputed issue of hotel.

Menen Hotel and Eigigu Supermarket operations remains the two main revenue sources for the EHC group. For 2018-19 they are budgeting for revenue of \$10 million and \$9.6 million respectively. The 2018-19 forecasts remain optimistic given the actual for 2017-18 being 30% below the budget for the year.

Eigigu Civic centre is currently undergoing renovation, refurbishment and a face lift to Civic Centre. This move is to make Civic centre ready for Pacific Islands Forum Leaders Meeting in September 2018. Eigigu is looking to spent over \$2.0 million on renovation by mainly GoN loan support.

During the past year, various efforts continue to be undertaken to look at the levels and confirmation of trade creditors, establish the viability of operations in all divisions and overdue long-term liabilities to allow EHC to move forward. Threats to the group would include these unreconciled liabilities, current trading debts and uncertainty of the RPC level of operations along with the major risk of reliance on the Menen Hotel full occupancy revenue to support many of the non-performing activities. There was no balance sheet provided so no opinion of liquidity could be determined

Currently management is ongoing reviewing all activities and is recruiting or upskilling a number of staff to assist in the day to day management. The FY 18-19 budget has with projected consolidated revenue of \$ 28.6 million and Expenses of \$ 25.5. This will then show a gross profit of \$ 3.1 million. Any economic downturn with Menen Hotel or Eigigu Supermarket revenues would have a major effect on the viability of EHC in the 2018-19 financial year.

Nauru Airlines

The 2018-19 Budget for Nauru Air Corporation (NAC) results in a surplus after tax. The budget like in past years has been prepared on a “bottom-up budget principles” and uses standard ICAO methodologies for cost allocation.

The current 2017-18 financial wasn't without challenges with continued unserviceability associated with the aging aircraft fleet. There was a change of CEO and Chairman mid financial year. A slowing down of the volume of DIBP flying as well as the reduction of the RPC related set-booking by supplier (such as Canstruct) has led to a downward pressure on revenue streams. This was mitigated by additional charter activities generated by the marketing Pacific Wing JV.

The budget assumes a further slowing down of RPC related flying because of the uncertainty of the level of activity that may remain if the refugee numbers decline. The budget assumes a further market consolidation and growth of the “north/south” sector through the airlines increased and targeted marketing activities. While there have been approval delays in the introduction of the Guam northern end, this is now looking at mid-financial year start.

NAC has now achieved a CASA Part 145 approval to undertake its own fleet maintenance. Recruitment of additional engineering staff is ongoing, and this will in time reduce both the unserviceability issues and overall engineering costs going forward.

The Corporation under the new leadership is moving to setting a clear path forward with a formal Strategic Plan. A shift to a commercial focus from the past operational focus and management style currently in place. This has commenced with an external operational review of both operations and routes. This will include looking at all stakeholders and developing partnerships going forward to

maximise the use of the existing fleet. The mix of fleet between passenger and cargo services is the key moving towards a sustainable future with a newer and possible additional fleet. This must involve looking outside Nauru and existing routes which have limited growth potential.

The key challenges that face the airline in the budget and years going forward include:

- the uncertainty of the continuing level of the RPC and related DIBP fling services
- increasing and evolving regulatory requirements that may result in increased overheads
- the aging fleet and the need to start providing for upgraded replacement aircraft
- potential for increases in fuel prices
- challenging operational environments
- political and economic uncertainty
- competitive pressures from other island states looking at introducing or expansion of their international operations

For the 2018-19-year Nauru Airline is budgeting to achieve \$61.6 million in revenue of which \$13.8 will be from the freighter services. The slight increase will be mainly from increased freighter revenue. The budget is proposing returning \$653,000 after tax profit. This is a reduction on last year and is affected by increased variable and overhead costs including establishment of the in-house engineering and Guam service.

Nauru Utilities Corporation

Nauru Utilities Corporation (NUC) continues to make major inroads into improving performance through proactive management initiatives in the strengthening and improving of the essential services the NUC provides to Nauru and its people. NUC has clear, quantifiable and achievable objectives based on their strategic business plan going forward.

The major infrastructure addition of the two new ADB funded 3 MW generators was successfully completed in the 2017-18 year. This has had a major positive impact on efficiency. The safety inspection ongoing project has had the secondary economic benefit of reducing the illegal connections and drastically reducing the unbilled power generation. Energy losses have reduced from 40% in 2015 to 22% in 2018 with a goal of <15% for the budgeted 2018-19 year. The upgrade and supply of metered/prepaid services to all users is ongoing.

These efficiencies have allowed NUC to continually reduce their fuel subsidy reliance from the GON. The subsidy will be reduced to Zero commencing for the 2018-19 year. This is a great achievement as the previous subsidies only a few years ago were greater than \$ 8 million per year.

The 2018-19 budget was prepared taking into consideration the NUC's Strategic Plan 2014-2020, the Nauru Energy Roadmap and the NSDS.

Some of the key objectives of the Strategic Plan are:

- to make NUC financial sustainable by 2020
- provide 50% of the electricity demand from renewable sources by 2020
- improve maintenance of key assets, customer service, business efficiency and ICT network and service to support the business

- transform NUC work culture to be more vision and mission driven whilst adhering to core values
- achieve n-2 security levels for the production of electricity and water

Currently solar contributes only 6% of power generation. There are additional solar farms planned for the immediate future from a couple of donor sources. The electricity tariffs will remain the same with only an accounting realignment of a slight increase in water but with a reduction in the delivery pricing.

Projected overall revenue for the coming year is budgeted to be \$22.5 million with a Capital reserve of \$ 2.0 million. Cost sharing is currently at Electricity 86% and Water 14%.

The cross subsidy from the Government, Industrial and Commercial sectors to the Residential sector remains but will be slowly adjusted in the future years. There will be a reduction in the Life Line Quota from the current 200 Kwh to 150 Kwh. This will result in a slight increase in the monthly charges and brings Nauru in line with other pacific neighbours.

With the new equipment efficiencies and improvement NUC power outages are now less than 1,000 minutes.

The Capex budget requirement which is critical for the continued improvement of operational standards is reliant on collection with the support of the Government from government departments and SOE's. Any delays in payments will of course have a negative effect on future operations and cost effectiveness. A bottled water operation is being introduced.

NUC remains confident on achieving its budgeted revenue along with continuing to make improvements to all parts of its operations in the form of improved efficiency and reduction of costs wherever appropriate.

PART 3: National Sustainable Development Strategy

The National Sustainable Development Strategy 2005-2025 (NSDS) identifies key national development goals, strategies and required activities. Although the 2018 NSDS-review has not been finalised to a printed document, from the 2017-Public Consultations the strategy continues to be relevant to the Government's development agenda and is implemented through the Annual Operating Plans (AOP) and Budget.

In essence, the following information has complemented to show some of the key recommendations and findings from the recent NSDS review process which utilised multi-stakeholder approach in the community and sector focus-groups for creating a complementing monitoring and evaluation platform.

Progress on the National Sustainable Development Strategy

The following provides information of work implemented, planned or in progress during the financial year. The information was extracted from AOPs or directly received from Ministries to report in the four development-category sectors.

Cross Cutting Sector

Public Administration

The Nauru Public Service primarily seeks to continue the advancement of public service delivery particularly with enhancing institutional capacity and strategic human resource management. As a result several strategic programs to curtail the challenges included; increasing the number of placements for formal trainings, distant learning is widely available under the corporate services for human resource (HR), creating space applicable for in-house training, recognizing suitable remuneration policy.

The HR-Corporate Services strategic action essential includes; attraction, selection and retention for the appropriate human resource to fulfil the numerous vacancies and reduce the reliance of expatriate workers in the Nauru Public Service. In the current socio-economy of Nauru, the Public Service experiences a strong competition for human resource input with other employment opportunities in the private sector, thus a resilient performance of public service delivery has been implemented. Activities includes; adjusting the basic minimum wage scale in the public sector, the re-introduction of public service employee contribution scheme is in the pipeline for FY2018-19 and will contribute positively to the mindset and livelihood security for the public service workers.

The strengthening of the human resource payroll and information systems is continually supported by Technology-One consulting services. Expanding the implementation of the payroll system is slowly progressing; furthermore the key works planned included implementation of the recruitment module and leave approval workflow. Under the leave approval workflow there will be two major benefits; i) Greater and consistent control in the management of awarding all types of leave. ii) Significant cost saving to Government by proper leave accounting through the HR payroll system.

Environment

In 2017 the successful funding grants from GCF Funding has been a monumental for the administration of environment sector, moreover beyond 2018 will be the implementation phase for some of the major projects for environmental sector.

The ridge-to-reef project (Eben Omo project) is a major environment-related project continuing under CIE for 5 selected districts (Anibare, Anabar, Ijuw, Buada and Meneng) to encourage proper management of water, land, reef resources and waste management. Some of the key progress to highlight included; canoe building, two off-shore FADs have been deployed off Yaren and Ewa district and 250 salt and drought tolerant plants are awaiting distribution. Several key supporting policy documents – National Integrated Environment Policy and Fisheries and Aquaculture Bill needs to be passed by Parliament. The socialisation of the objectives of ridge-to-reef with the general community has been a major challenge to achieve the envisioned sustainable communities of Nauru.

Governance Institutions

The Department of Justice continues to strengthen the Justice systems by ensuring timely delivery of services and provision of legal advice to the whole of government. It is expected that local capacity will soon be strengthened further with fifteen Nauruan graduates successfully completing a pleaders course in the new financial year. The Nauruan pleaders will be able to actively participate in the district court of Nauru.

The core function of the Department of Justice is to provide legal advisory services to the Government of the Republic including the Cabinet, Ministers and the public service as a whole.

The Border Control functions include Immigration, Passports and Quarantine. In addition the Corrections Office falls under its jurisdiction. Corporations, Business Licences and Business Names also form part of the work of the Justice Secretariat. The Curator's office is a further section.

There has been significant progress and achievements across the department in a number of areas:

- Improved compliance and legislative changes have resulted in an increase in revenue from the Business and Licensing sector.
- A better management and stocking of Diplomatic, Official and Ordinary passports resulting in increased revenue flows from passport issuance.
- Upgrading and improving the technology for passport printing and putting in international codification for Nauruan passport scanning worldwide at the international airports
- Streamlining visa issuance procedures.
- An increase in legal representation for ordinary Nauruans by the Public Defender's Office in criminal, family and land matters. Amendment to the law to give the office a statutory basis was achieved during this reporting period
- The dispensation of timely, high level advice to Government on a broad range of issues.
- Appointment of a number of Nauruan pleaders

However the continued absence of an indigenous Nauruan lawyer in the Justice secretariat remains a concern and challenge. There are a number of Nauruans studying law abroad presently.

The Nauru Police Force, Nauru border control and Health undertook narcotics training to strengthened capacity for an advanced law system.

Economic Sector

The socio-economic for Nauru has revel in prospects for the private sector to expand to support the long term goals indicated in Nauru's NSDS; to develop an economy based on multiple sources of revenue. The number of small-medium business operating in a variable forms including informal-eateries, merchants and construction work was noticeable. Furthermore the public financial services is strengthened with advancement of FMIS modules including, introduction of new revenue

streams, strengthened legislation in tax and customs, including the vital provision of financial services through Bendigo Bank. Reforms has continued with recognition that further work remains to be carried out in strengthening frameworks, institutions, processes and the continued effort to build staff capacity.

Public Sector

The progress for the Intergenerational Trust Fund (ITF) has been considerable since its inception. The ITF is a major milestone indicated in Nauru's NSDS and the fund is attracting new funding contributions from bilateral partnerships, this will benefit a sustainable future for Nauru.

The public financial management activities has not advanced since the recent self-assessment for public expenditure and financial accountability (PEFA), however ongoing support with PFTAC will assist with acknowledged progresses for public financial management, to strengthens Nauru's integration in the global financial community thus enable greater access to technical and financial assistance required for economic and social development.

The coherent development planning document-NSDS beyond 2018 is being finalized and to be printed in 2018. Although the newly formulated Nauru NSDS is largely anticipated, the implementation of Nauru's sustainable development plans continues to progress significantly within the four development sectors for economic, social, infrastructure and cross-cutting. At the same time the monitoring and evaluating systems for the NSDS has presented many challenges, especially given the NSDS aims to bring about transformative change to Nauru with its alignment with the 2030 Agenda for Sustainable Development where data and statistics are vital to ensure momentum on sustainable development.

The Revenue Division continued to make significant progress by being awarded in recognition of its revenue administration policy and reforms, at the Pacific Islands Tax Administrators Association (PITAA). As an initiative under the National Sustainable Development Strategy (NSDS), Nauru introduced the first ever taxation reforms in 2014, with the introduction of a Revenue Administration Act and an Employment & Services Tax Act, followed by a Business Tax Act in 2016. Improved revenue collections, administration and enforcement of all current legislation - Lodgements of all return types - annual, quarterly and monthly - have been closely monitored with a lodgement rate of 98% achieved.

Customs continue to strengthen its workplace knowledge of border enforcement, revenue collection and trade facilitation measures with success in detection and seizure of prohibited food stuffs, undeclared cigarettes and various undeclared cargo. Significant capacity building of local staff continues with overseas training. All of these activities build workplace knowledge in developing customs agency which in turn generate greater revenue collection and community protection. Furthermore planned customs development includes; accession to world customs organization and alignment with Kyoto customs convention.

The Nauru Post Office was strategically abolished to establish a redesigned; Naoero Postal Services Corporation to promote general business and an investment environment. With the existing financial services to access global markets, the post service planned to offer a variety of products and service that aims to broaden economic opportunities for the people of Nauru.

Fisheries

The Nauru Fisheries and Marine Resource Authority (NFMRA) have four different sections which comprise of the Coastal, Nauru National Fisheries Observer Program (NROP), Oceanic and the

Corporate & Policy & Legal Section. The NSDS identified the Fisheries sector to enhance development and sustainable management of marine and fisheries resources to provide sustainable economic returns.

Although Fisheries continues to collect significant revenue income for Nauru, NFMRA on the other hand, carried out training for sustainable fisheries management to the communities, in particular the deployment of fish aggregating devices close to the coastal zones for Nauru. One of the challenges for NFMRA has been improving the legislation/regulations for the Fisheries sector.

Agriculture

The Agriculture division planned to ensure the following key outcomes which included; enhanced agriculture (including livestock) and fisheries production for food, especially advocating improved food nutrition quality and safety. To a large extent the close partnership between the Agriculture division with Taiwan aims at supporting healthier diets and reduce the need for imports. The Agriculture Extension Officers commenced their community outreach work in 2018. The eight (8) extension officers have been placed in each of the designated districts overseen by the Agriculture Division. The Anabar piggery farm has been operational since mid-2015 and consequently it was handed over to the Government of Nauru.

Small, Medium Enterprises

CIE in partnership with Taiwan developed a project to assist small and medium sized businesses in Nauru. The project has helped established a total of 9 small businesses in Nauru ranging from Laundry Services to Merchandising. The project will continue to assist with the development and strengthening of the private sector.

Social and Community Sector

The Social and Community Sector has a total of 233 milestone activities. The sector comprises of key areas of education, health, sport, culture, women, youth and civil society.

Education

The goal for the Education Sector is to; **improve the quality and broaden the scope and reach of education.**

The table below provides a snapshot of the progress made by the Education sector over the current financial year. In summary, Education continues to make reserved, yet steady progress in this fiscal year. Notable achievements include;

<u>PROGRESS</u>
Learning Village project completed with the final phase hosting its opening ceremony on the 21 st of May
This was quickly followed by Nauru Education hosting 2 regional meetings back-to-back which were the USP Council Meeting and the Forum Education Ministers Meeting.
Continued staff up-skilling efforts through providers such as UNE and USP including; <ul style="list-style-type: none"> • 3rd cohort of teacher trainees undergoing studies for Associate Diploma in Teaching (Pacific Focus) with UNE

PROGRESS

- 2nd cohort of teacher trainees undergoing studies for Associate Diploma in Teaching (Pacific Focus) with UNE are scheduled for graduation in the next fiscal year
- 1st cohort of graduates with Associate Diploma program now undergoing a Bachelor program with UNE
- 1 Principal graduated with Masters of Education with UNE
- EMIS Manager graduating with Bachelor degree specializing in Statistics and Data

First lot of payments made to Year 12 graduates under NEAT scheme

Increased number of students graduating with QCE certificate

TVET successfully established as separate tertiary education provider and expanded its services to adult students

Increased number of students graduating with national TVET certification and TAFE accredited certification

Anti-bullying program targeted to begin in the next fiscal year, as indicated by the recent situational review conducted by UNESCO funded consultant

Training to be rolled out in the next financial year for Liaison officers and teachers in regards to behavior management and attendance data management and the NEAT scheme

With Australian DFAT support, Able Disable Centre participated in the Pacific Special Olympics Games in Suva in April 2018 and returned with one gold, two silver and three bronze medals

Continued efforts and promotion of Professional development opportunities and staff upskilling, including self-management under the School Grants Program.

CHALLENGES

- Attraction, recruitment & retention of skilled staff for various sections within Education Department and long term, sustainable solutions are still being explored
- Low number of QCE graduates annually.
- Continued alarmingly high rates of truancy and absenteeism of students and low retention rates
- Poor quality infrastructure including buildings, transport and communications (online facilities)
- Continued high dependency on Development Partners for Operational functions and recurrent expenditures.
- Challenging procurement system to receiving essential resources on-time
- Low Parental and Community involvement, support and ownership in schools and their respective activities and goals

Health

The goal for the Health Sector is *a healthy and productive population*.

Twenty-seven milestone activities were developed with a preventative health focus in place. These are a broad and diverse range of activities which ranged from training and strengthening of the local Health workforce to institutional reforms to development of tailor made Health Information Systems to public health surveillance programs and development of preparedness programs for epidemic outbreaks in the region or internationally.

In terms of progress, for this financial year, the Health sector struggles to maintain standstill with unfortunate signs of regression evident through severe weakening of core institutional structures such as finance planning and management for the Health sector. On the other hand, some activities have maintained momentum and drive while others require increased efforts and support. In general, the Health sector will benefit tremendously with a more proactive management approach through increased concentrated efforts in utilizing an effective planning process complete with monitoring and evaluation.

The following provides information on the following key achievements and challenges.

PROGRESS
Renewed drive and efforts in Public Health including End TB campaign, school visits, healthy cooking demonstrations throughout the communities and others
Continued up-skilling efforts of training local health professionals with; <ul style="list-style-type: none">• 3 Cuban trained medical interns due back in the new financial year after completing the medical internship with Kiribati Health Ministry• 2 Health interns commencing studies at Australian universities in the field of biochemistry• 2 nurses returning to the field after attaining their Diploma in Nursing from TAFE, Australia
Health review conducted on behalf of Australia DFAT and Government of Nauru in an effort to address severe institutional weaknesses for the Health sector, especially in areas of Health information systems, Finance planning and Logistics and procurement.
New medical equipment received and installed at the RON Hospital courtesy of the Government of Japan as facilitated by JICA
Renewed efforts to renovate homes of persons with physical disabilities so that the houses are disable friendly. For example, installing ramps for increased and improved wheelchair accessibility.

CHALLENGES
<ul style="list-style-type: none">❖ Adopting a more proactive management approach as opposed to the current reactionary approach❖ Recruitment and retention of skilled staff both local and expatriate❖ Minimizing financial burden from Overseas Medical Service (OMS).

CHALLENGES

- ❖ Core effective infrastructure for effective delivery of services including accommodation for expatriate staff, hospital infrastructure that meet the needs of the population including building, information system, medical equipment etc.
- ❖ Problematic procurement system including necessary storage facility
- ❖ Skilled Human Resource capacity gaps
- ❖ Ever rapidly increase in population of NCD patients, especially dialysis and cancer patients
- ❖ Steady increase in STIs⁴, teen pregnancies and in general, unplanned pregnancies
- ❖ Emerging urgency of unprecedented Health issues such as gas and glue sniffing amongst pre-teens, excessive kava usage and stunted growth in infants and toddlers

Sport

The goal for the Sport sector is for; Enhanced quality of life through sports for all.

In this fiscal year, sound progress was made for this sector including the commencement of construction of a indoor sports facility which will be completed in the first quarter of the next fiscal year. There have also been continuous efforts towards renovating and upgrading existing sports facilities - island wide as well as efforts towards the development of a National Sports Strategy. Preparations also took place this financial year for Nauru to host a regional event, which will be the Oceania Powerlifting Championships.

This year, Nauru also successfully continued participation in the Commonwealth games and have also maintained her medal winning streak since Nauru's inaugural participation at the games. This year's silver medalist has since joined Nauru's Elite program which is an ongoing government program for Elite Athletes.

Another notable achievement for Sports this year is the incorporation of traditional games into planned national sporting events to commemorate national days which serves dual agendas of Sports and Culture by fostering Sports activity while also preserving the Nauruan culture.

Traditional Leadership & Culture

The goal for the Traditional Leadership & Culture Sector is, **A healthy, socio-cultural, inclusive, cohesive and self-reliant community with sustainable livelihoods.**

Progress has been slow but sure with continuing efforts on the establishment of the National Commission on language and culture in close collaboration by the Education ministry and other key stakeholders. The Nauru history project team has been established to oversee the necessary activities for the conservation of Nauru culture, tradition and heritage sites. In this reporting period, funding and renovation to build a national museum is ongoing and will be a key milestone for Nauru sustainable culture.

Women and Development

The goal for the Women and Development Sector is, **A just society that recognizes and respects the rights of women and promotes equal opportunities.**

⁴ Sexually Transmitted Infections

Progress for this sector struggles to maintain standstill in that while some activities maintain momentum and drive, others require increased efforts and support in order to effectively collaborate with ongoing activities for improved outcomes. Four milestone activities have been actioned but remain to be fully developed or sustainably achieved. Key support partners for this sector are from United Nations Women and Australia Department of Foreign Affairs & Trade.

Youth Development

The goal for the Youth Development Sector is **Investing in youth – a sustained future for Nauru**. The progress to date for this sector is mixed with some elements of progress but also elements of regress. Since the revival of the NNYC (Nauru National Youth Council) in FY16/17, it has quickly become inactive again for unclear reasons. However, the youth unemployment rate continues to be significantly low compared to years prior to 2012-13. This is due to the continuation of the Regional Processing Centre on Nauru and other private sector development.

Civil Society

The goal for the Civil Society Sector is; ***A robust, vibrant and effective civil society for a just and peaceful Nauru***. Progress for this sector is at a standstill as development of a robust, vibrant and effective Civil Society continue to be limited and restrained due to poor participation from CSO/NGO groups as well as severe capacity constraints of NIANGO as the umbrella CSO/NGO group to focus and coordinate efforts on strengthening the capacity of all CSO/NGO groups on Nauru.

Infrastructure Sector

Infrastructure is a key sector which needs further strengthening. Infrastructure assets such as the port, airfield, roads, schools and other buildings are in a fragile condition after extended periods of relative neglect brought about by lack of funds and in-country management. The various government ministries and SOE responsible for managing infrastructure services have struggled to meet their obligations and often respond only when near break downs of assets or services have occurred.

Water

The Italy-funded water tank project has partially erected and installed; 39 units of 10,000 liters galvanized water tanks into the communities. Other water projects progress included; commencement of 43-Household guttering for rainwater, the commissioned installations of the water purification systems at the Buada Farm and Anabar Farm. Also in the community of Meneng a water reticulation project was commissioned, which has increased access to brackish water for residents situated in an elevated landscape.

The enhanced water production and storage facility at NUC is currently addressing water supply through reverse osmosis. Furthermore the improvements made at NUC has received awards by the Pacific Water and Waste water Association in the region.

Energy

Cabinet endorsed the revised and updated Nauru Energy Road Map (2018 – 2020). This document aims to achieve GoN's energy vision "to provide reliable, affordable, secure and sustainable energy supply for the social development of Nauru". Strategies, action plan activities and issues are highlighted in this document. Targets of the NERM are 50% grid electricity supply from renewable

energy, 30% improvement in energy efficiency and 24/7 electricity supply. Individuals, Government institutions, industries, private sectors and international partners need to support and contribute to the implementation of the Nauru Energy Road Map (NERM) to achieve the targets.

The commissioning of two new 2.8 MW capacity per MAN engines in 2018 has improved electricity supply significantly to 90%. Furthermore GCF has approved a 10MW solar panel installation scheduled to commence in 2019 and an energy partnership agreement with New Zealand will be supplemented by European Union to improve Nauru's renewable energy approximately by 10% making Nauru's renewable energy target of 50% electricity generated by renewable source by 2025 a reality.

Transport

Since the reinforcement of vehicle registration and driver licensing; this has contributed to provide a safe road network throughout Nauru. For this reporting period, there have been many construction projects to address road maintenance and footpath repairs or upgrades providing both essential road safety and economic benefits to small-medium enterprises. Safety has also been strongly enforced with the necessary legislation and campaigns to wear safety helmets when driving a motorcycle.

Another key target for Land transport indicated in the NSDS; is an efficient public transport to be managed by the private sector. Buses are currently operated by Government and will continue to be, as the private sector is not currently equipped or realised to become involved this essential sector. Therefore further investment and strategic planning in public buses will be continued to be managed by Government's Transport.

The upgrade and development of ports infrastructure for vessel handling is identified in the NSDS for completion in 2015. Notably the successful application to access Green Climate Fund has signaled this objective to move closer to a reality. The proposed port development project is able to commence construction in late 2018, due to the formal co-financial support provided by GCF, ADB, Australia, Taiwan and Government of Nauru. Also in the pipeline for this reporting period is the arrival of a mobile X-ray unit to operate at the ports to protect the borders of Nauru from prohibited cargoes, consequently realizing to the overall the outcome for efficient, reliable and safe port operations.

Directorate of Civil Aviation (DCA)

The boundary fence for the aviation runway has been fully renovated to ensure the security of the runway from intruding animals and pedestrians is avoided. However there are other essential aviation infrastructure upgrades as planned require funding support, in order to maintain a safe, reliable and economically sustainable air services. The Government will continue to work with development partners to ensure the safety of the civil aviation institutions including; the capacity of staff as well as vital infrastructures is maintained to meet minimum international standards.

Media

The Nauru media productions are on-going with the following formats; Discussion Desk program mainly to announce Government deliverables and other public initiatives, daily Radio Nauru programs, online streaming of Radio Nauru FM105 and international sports coverage for Nauru sports athletes. The resilience in getting back online from technical failure is one of the key challenges Nauru media aims to strengthen, also a progressive institutional capacity strategy is

implemented to retain essential staff. The 2019 planned international communications-marine cable for communication services will be a key catalyst for Nauru's development in an internationally competitive communication services and commercial viable media.

Line Ministry Linkage to Key Legislation and the National Sustainable Development Strategy

The following table was populated with information extracted from Annual Operating Plans and reports received by the Ministry of Finance. The objective of the table is to provide descriptive information on how line ministries are linked to key legislation and the National Sustainable Development Strategic goals.

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
01 - Presidency and State House (including GIO)	The Nauru constitution provides overarching governance for the whole nation. The Public Service Act. 2016 applies to all civil servants,	To enable the President to carry out his official responsibilities and duties.
02 – Ministerial	The Nauru constitution provides overarching governance for the whole nation. The Public Service Act. 2016 applies to all civil servants,	To implement the Government Policies and Cabinet Decisions.
03 - Chief Secretariat	Public Service Act 2016, Electoral Act, Price Control Act, Birth Death and Marriages Act., Liquor Act.	To provide dedicated, responsive, productive, and professional Service. • To develop effective, transparent and efficient administration and management. • To implement the Government Policies and Cabinet Decisions.
04 - Post and Philately	Public Service Act 2016.	Provide universal and reliable access to internationally competitive communication services and an independent and commercially viable media.
05 – Audit	Audit Act. 2015, Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016,	To provide professional audit services to Government and the public service, fulfilling its Constitutional responsibilities.
06 – Parliament	The Nauru constitution provides overarching governance for the whole nation. Parliamentary Salaries and Allowances (Amd) Act, Public Accounts Committee Act. Constitutional Review Committee, Audit Act. 2015,	To enact laws and regulations for the benefit of Nauru based on democratic principles. .

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
07 - GON WareHouse	Public Finance Management & Procurement Act 1997	To develop effective, transparent and efficient administration and management.
08 - National Emergency Services	Disaster Risk Management Act., National Emergency Act.	Develop locally tailored approaches and initiatives to mitigate the causes of climate change and adapt to its impacts
11 - Finance Secretariat	Development Fund Act 2011, Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016, Government Loans Act. 1972	Macro-economic Management: A stable macro-economic environment conducive to private investment established.
13 - Bureau of Statistics	Public Service Act. 2015, Public Finance Management & Procurement Act 1997, Nauru Bureau of Statistics Act.	A stable macroeconomic environment conducive to private investment established.
15 - Nauru Revenue Office	Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016	Macro-economic Management: A stable macro-economic environment conducive to private investment established.
17 - Nauru Customs Office (NCO)	Customs Adopted Laws Act 1971, Customs Amendment Act 2015, Customs Act 2014, Customs Tariff Act 2014, Customs Tariff schedule, Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016, Customs (Rates of Duty) Amt Act, Immigration (Amt) Act, Passport Act, Agricultural Quarantine Act.	Macro-economic Management: A stable macro-economic environment conducive to private investment established.
18 – Nauru Regional Processing Centre Corporation	Nauru (RPC) Corporation Act 2017	A stable macroeconomic environment conducive to private investment established.
21 – CIE	Public Service Act 2016	Promote development of small and micro enterprises, foreign investment and economic integration into the global economy.
31 – Fisheries	NFMRA Act	Enhance development and sustainable management of marine and fisheries resources to provide sustainable economic returns

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
41 – Police	Criminal Procedure (Amt) Act 2012, Illicit Drugs Control Act, Nauru Police Force Act. 2015, Motor Traffic Act. 2015, Cyber Crime Act. 2015, Criminal Code Act. 2015	To Serve and Protect the People of the Republic of Nauru
42 - Department of Multicultural Affairs	Asylum Seekers (RPC) Act 2012, Refugees Convention Act.	Assist and train community leadership. Preserve & introduce the Nauruan Language in School.
43 - Justice – Secretariat	Criminal Procedure (Amt) Act 2012, Legislation Publication Act, Business Licenses Act, Anti Money Laundering Act, Criminal Justice Act., Recognition of Foreign Divorces, Legal Separations and Nullity of Marriage Act., Oaths, Affirmations and Statutory Declarations Act., Naoero Citizenship Act. 2015, Adoption of Children Act. 2015	Committed to the highest standards of ethical behaviour, excellence and professionalism in the delivery of legal services to its clients and users. Underpinned by international laws and conventions and respect for the rule of law, Nauru’s legal system ensures a secure, stable and peaceful community exists for all.
44 – Judiciary	Criminal Procedure (Amt) Act 2012, Courts Legislation, Criminal Justice Act., Recognition of Foreign Divorces, Legal Separations and Nullity of Marriage Act., Family Court Act.	To uphold the rule of law and resolve disputes between the different arms of the Republic and including the citizen of the Republic of Nauru.
45 - Border Control	Customs (Rates of Duty) Amt Act, Immigration (Amt) Act, Passport Act, Agricultural Quarantine Act.	Committed to the highest standards of ethical behaviour, excellence and professionalism in the delivery of legal services to its clients and users. Underpinned by international laws and conventions and respect for the rule of law,
46 - Correctional Services	Criminal Procedure (Amt) Act 2012, Correctional Service Act	Strengthen Parliament, Audit, Justice, Law, Order and Border Control
51 – Education	Education Act., Higher Education Act.	Improve the quality and broaden the scope and reach of education
52 - Youth Affairs	Guardianship of Children Act., Family Court (Amendment) Act.	Investing in Youth – A sustained future for Nauru.
61 – Health	Health Practitioners Act, Food Safety Act	A Healthy & Peaceful Nation that values & supports human rights & dignity through the provision of quality healthcare & services.

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
62 – Sports	Public Service Act.	Encourage participation of all communities in sports and fitness activities and strengthening governance and administration of all sporting bodies.
71 - Foreign Affairs – Secretariat	Consular Privileges and Immunities (Amendment Act) 2012, Foreign Trusts, Estates and Wills Act., Foreign Judgements (Reciprocal Enforcement.) Act. International Sea Bed Minerals Act. 2015	Ensuring that Nauru’s interest and voice gain the maximum hearing, understanding, and support from the regional and the international community. The formulation and implementation of policies relevant to the development aspirations of the country on a sustainable basis. The enhancement of Nauru’s international standing by adopting a proactive foreign policy engagement with members of the regional and international communities in order to promote cooperation.
72 - Foreign Affairs – Brisbane		
73 - Foreign Affairs – Suva		
74 - Foreign Affairs - New York		
75 - Foreign Affairs – Taiwan		
81 - Home Affairs	Bingo Licensing Act, Education Act.	Provide assistance to family children and identify their needs and to implement Child Protection Policies
82 - Women's Affairs	Public Services Act.	A just society that recognizes and respects the rights of women and promotes equal opportunities.
83 - Media Bureau	Telecommunications (Amt) Act	Provide universal and reliable access to internationally competitive communication services and an independent and commercially viable media.
84 - Lands & Survey	Lands Act, Nauru Lands Committee Act., Nauru Phosphate Royalties (Payment and Investment) amendment Act.	To administer and manage natural resource namely – LAND. We are to encourage developments that fit its locality, viability and demands.
85 - Lands Committee		
86 - Department of Land Management		
91 - Transport Secretariat	Public Finance Management & Procurement Act 1997, Treasury Fund Protection Act 2004, Public Service Act 2016	Improve transport infrastructure and provide reliable and affordable public transport service.
92 - Lands Transport	Lands Act., Nauru Lands Committee Act.	Improve transport infrastructure and provide reliable and affordable public transport service.
93 - Maritime Transport	Port Authority Act. 2015, Salvage of Derelict Wreck Act.	Improve transport infrastructure and provide reliable and affordable public transport service.

Ministry/Department	Key Legislation	Description/NSDS Goal/Strategy
94 – DCA	Civil Aviation Act	Improve transport infrastructure and provide reliable and affordable public transport service.
95 – ICT	Telecommunications (Amt) Act	To provide an integrated, reliable, efficient and secure networked ICT environment for Government and State owned enterprises. to ensure that these services are reliable, consistent and secure and at the same time ensuring the integrity and confidentiality of all Government data and communications.
96 - Fire & Rescue	Disaster Risk Management Act., National Emergency Act.	Sustainable use and management of the environment and natural resources for present and future generations.