



# REPUBLIC OF NAURU

## 2019-20 BUDGET

### BUDGET PAPER 2

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CIRCULATED BY  
THE HONOURABLE DAVID ADEANG, MP  
MINISTER FOR FINANCE OF THE REPUBLIC OF NAURU  
FOR THE INFORMATION OF HONOURABLE MEMBERS  
ON THE OCCASION OF THE BUDGET 2019-20

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## PART 1: Economic Outlook

The economy remains highly vulnerable to the operation of the RPC and Australian Government policy with respect to offshore refugee processing. Over the medium term the expectation is that decreasing numbers of refugees will be residing on the island but that the Australian Government will continue to maintain an enduring capacity on the island for processing any new boat arrivals.

There is a high level of uncertainty around the actual level of support that will be provided associated with providing an enduring capacity and bi-lateral negotiations are continuing between the Australian Government and Nauru. The expectation is that the level of support will be similar to that provided in the past. There is an expectation that with a localisation of services more of the revenue associated with hosting offshore detention will be captured within the local economy.

Fisheries has performed very well in the 2018-19 year and the expectation is that this will continue. The Government is expecting the day rate associated with Purse Seine fishing days to rise again next year.

In addition, construction of the Port of Nauru is expected to continue throughout 2019-20. Some economic benefit is expected to flow from the construction workforce and local sub-contracting of works associated with the project.

The Government has also facilitated funding to RONPHOS to undertake large-scale secondary mining of phosphate and the SoE has forecast increased exports during the 2019-20 financial year.

The Treasury has used the IMF forecasts for growth and inflation in preparing the Medium-Term Fiscal Framework in which the 2019-20 has been cast. Economic growth in the 2019-20 financial year is estimated to be 2% following flat growth in the current year<sup>1</sup>. This follows a trend for revising economic growth upwards consistent with the lower than expected impact of less refugees residing on the island. Growth is forecast to increase to between 2.5-2.6% over the next two financial years.

The IMF has forecast average domestic inflation of 2% over the medium term (2020-2022) which is considerably lower than the latest figures produced by the Nauru Statistics Office.<sup>2</sup>

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<sup>1</sup> Nauru GDP by Fiscal year; April 2019; World Economic Outlook; IMF

<sup>2</sup> At the end of the Dec 2018 quarter annual inflation was estimated to be 3.9%; Nauru Bureau of Statistics

## PART 2: Economic Statistics

### National Accounts

The Gross Domestic Product (GDP) estimation for fiscal year 2018 has been undertaken by the Nauru Bureau of Statistics (NBOS) in conjunction with its main technical partner and the results warrant these preliminary findings. The compilation of national accounts statistics is a dynamic process, and therefore needs to adapt to reflect a variety of measures and indicators consistent with the development and structural changes in the economy over a period. It is therefore expected that revisions and updates are made to previous period as new source data are brought into the model and validated. GDP by production is the current approach for official estimation of Nauru's GDP.

According to the preliminary estimates for 2017-18 GDP, Nauru's economy has recovered since its peak in 2012-13 which gradually declined overtime to its lowest point in 2016-17 and then continued to expand showing positive growth for the 2017-18 year. The economy grew by 5.7 per cent in 2017-18 after recording a decline in 2016-17 of negative 5.5 per cent. The strong performance in 2018 can be attributed to the positive growth in the following sectors: Transport and Communication; Trade; and Finance and Business services.

**Chart 1. GDP Growth Rates at constant Prices (2003 Prices) from FY2010 to 2018.**



### Consumer Price Index (CPI)

The CPI increased 4.0 percent in the year to the March 2019 quarter. This compares with a 3.8 percent annual inflation rate in the December 2018 quarter.

The main upward movement came from the group Alcohol beverage & tobacco, up 11.0 percent and contributing a 0.9 percent to annual CPI as a result of increased imports tariffs. Prices in the Furnishings, household equipment and routine household maintenance group rose 10.7 percent, contributing a 0.5 percent to the annual CPI. Food and non-alcoholic beverage group recorded an increase of 5.7 percent, contributing a 2.3 percent to the annual inflation.

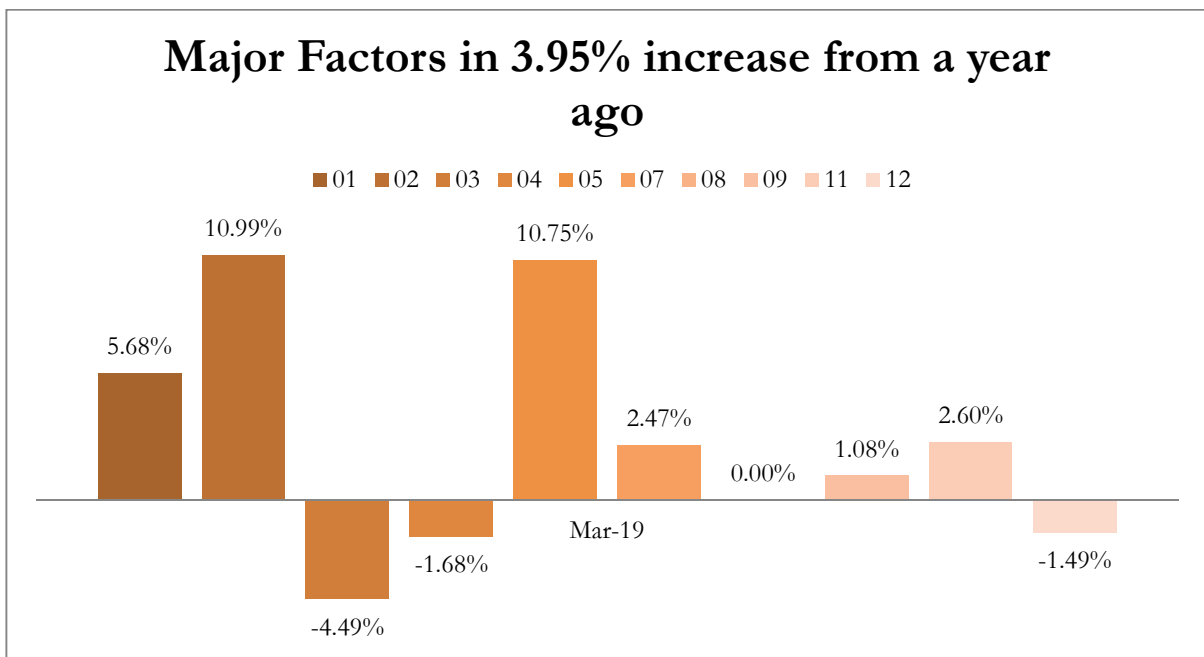
Key individual upward contributions to the Food subgroup came from higher prices for:

- Instant noodles in a pack (up 32.0 percent)
- Ice cream (up 29.6 percent)
- Fresh bonito (up 25.0 percent)

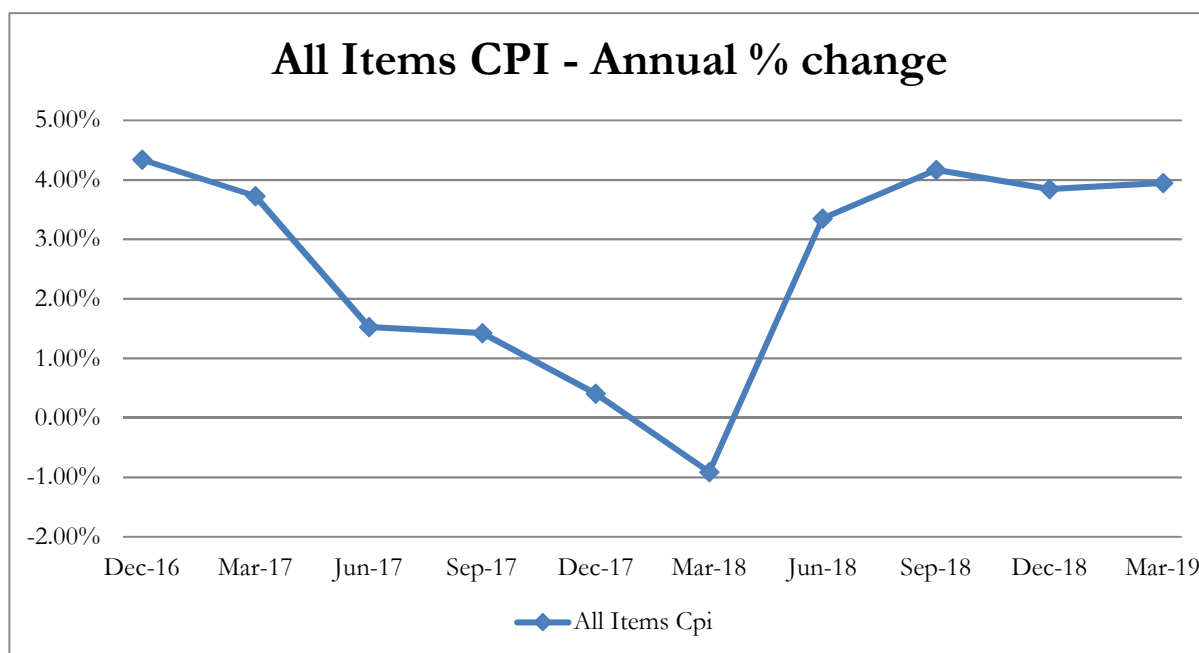
The main individual downward contributions to the Food subgroup came from lower prices for:

- Onions (down 17.9 percent)
- Eggs (down 15.2 percent)
- Tinned corned beef (down 12.9 percent)

**Chart 2. CPI Annual % Change in March 2019**



**Chart 3. CPI Time Series on Annual % Change**



### Labour Force Statistics

*Labour Force Administrative Sources 2013-2016, 2019*

*Table 1. Proportion of Employees of Locals, Expatriates, Other by Employer during Periods 2013-2015, 2019*

EMPLOYER (%)	LOCAL				EXPATS				OTHERS				TOTAL				
	Y2014	Y2015	Y2016	Y2019	Y2014	Y2015	Y2016	Y2019	Y2014	Y2015	Y2016	Y2019	Y2013	Y2014	Y2015	Y2016	Y2019
RON Government	39.9	40.5	41.4	46.5	3.6	3.5	3.7	4.1	-	-	-	-	38.6	43.5	44.0	45.1	50.6
Regional Processing Centre	17.2	17.2	18.9	14.0	14.8	13.9	10.4	1.2	-	-	-	-	7.0	32.0	31.1	29.3	15.2
Ronphos	9.3	9.5	8.1	7.7	0.3	0.3	1.1	0.3	-	-	-	0.8	15.1	9.6	9.8	9.2	8.8
Eigigu Holdings	7.3	7.1	7.3	5.6	0.5	1.1	1.9	1.0	-	-	-	0.1	12.3	7.8	8.2	9.2	6.8
Nauru Rehabilitation Corporation	5.4	5.0	5.1	3.5	0.2	0.3	0.2	0.0	-	-	-	0.1	9.7	5.6	5.3	5.3	3.6
Nauru Airlines	1.5	1.5	1.9	2.8	0.0	0.0	0.0	0.0	-	-	-	0.0	1.3	1.5	1.5	1.9	2.8
NUC	0.0	0.0	0.0	3.6	0.0	0.0	0.0	0.3	-	-	-	0.0	-	-	-	-	4.0
Eigigu Solution	0.0	0.0	0.0	6.5	0.0	0.0	0.0	0.5	-	-	-	1.3	-	-	-	-	8.2
<b>Total (%)</b>	<b>80.7</b>	<b>80.9</b>	<b>82.8</b>	<b>90.1</b>	<b>19.3</b>	<b>19.1</b>	<b>17.2</b>	<b>7.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.4</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100.0</b>
<b>Actual Totals</b>	<b>3,790</b>	<b>3,837</b>	<b>3,941</b>	<b>3,728</b>	<b>909</b>	<b>908</b>	<b>819</b>	<b>310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>3,086</b>	<b>4,699</b>	<b>4,745</b>	<b>4,760</b>	<b>4,137</b>

Sources: Derived from administrative sources

Note: \*not available mostly private sector ie. security services, retail stores, restaurants and any small businesses

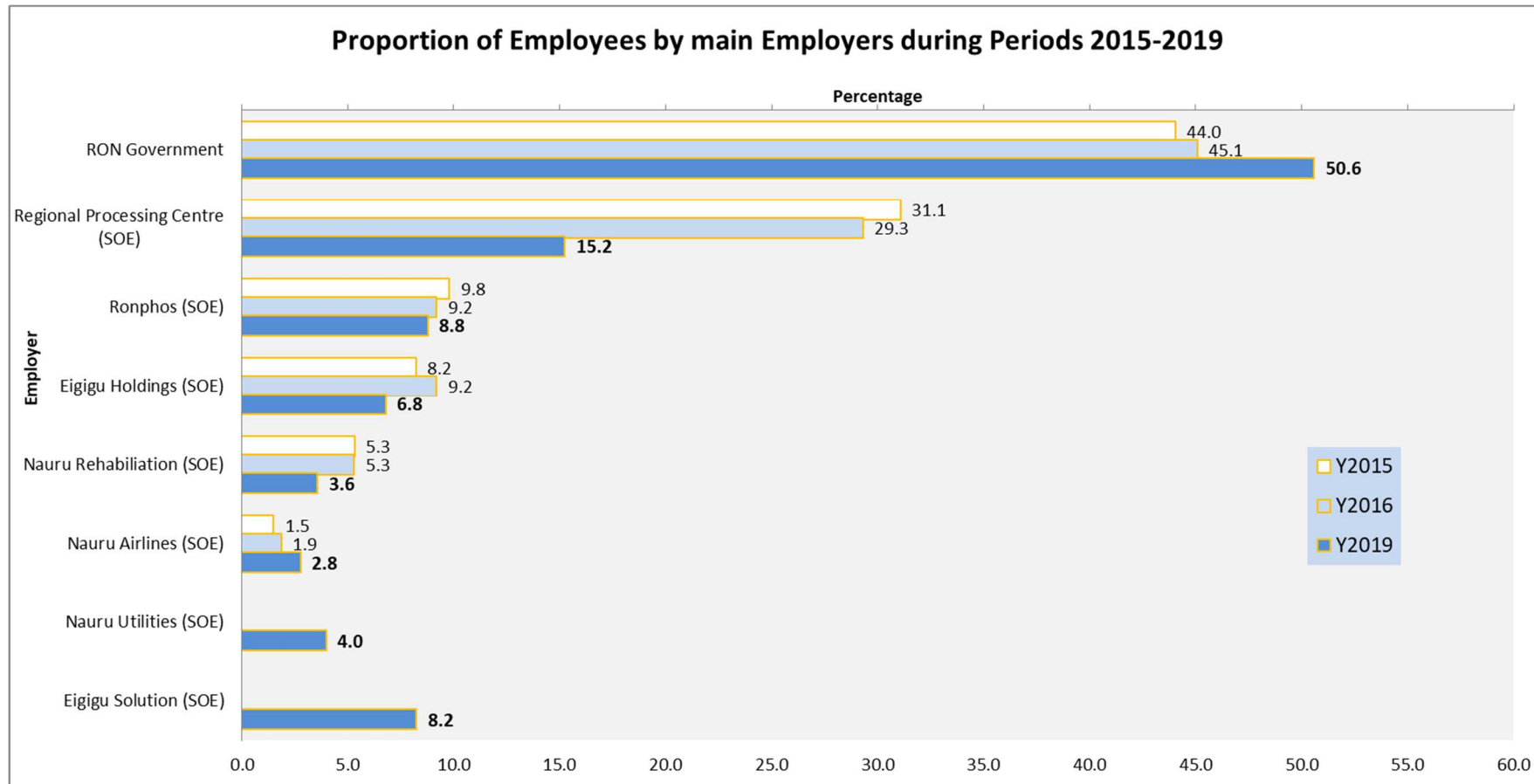
Nauru Airlines are Nauru based only

RON Government Public Service Y2019 – based on average estimates due to current data not available

Table 1 represents the breakdown proportion of employees by Local and Expats. Other is mainly classifications for Refugees engaged to local employment. Agencies with an advantage of large number of manpower employment such as the RON Government and State-Owned Entity (SOE):

- RON Government represents all Government Departments in the public service for instance Finance Department, Education Department, Health Department, Justice Department, Home Affairs, Commerce Industry and Environment (CIE), Information and Communication Technology (ICT) and so forth.
- Regional Processing Centre representing Eigigu Solution Corporation (ESC), Canstruct, Host, HMIS and JHSS. However, ESC only captured actual current data whereas Y2019 data for RPC is based on average estimates and may capture actual data in the future.
- Eigigu Holdings represents the umbrella-ship for Eigigu Headquarters, Eigigu Supermarket, Civic Centre, Menen Hotel, Eigigu Transport, Eigigu Enterprise, Enigin

**Chart 1: Proportion of all Employees by main Employers during Periods 2015-2019**



Source: Administrative data

Average estimates due to absence of current administrative data



### ***Labour Force Administrative Sources 2013-2016, 2019 cont...***

Table 1 and Chart 1 are both relatively indicating the similar results concerning the employment situation within the Nauru economy. Currently the two largest line agencies where most of the working population are engaging occur at RON Government public service however based on average estimates due to current data not available. Employees experienced an estimate increase from 45.1% in Y2016 to 50.6% in Y2019.

The similar case to capture employment situation at the Regional Processing Centre was based on average estimates from the last available data between 2014-2016, then subtract the actual total employees at Eigigu Solution Corporation (ESC) then round off to the nearest tenths. The results reported a decline of manpower employment from 29.3% in Y2016 to 15.2% in Y2019. The Eigigu Solution Corporation (ESC) is a new initiative working closely with the Canstruct Company for the purpose of the Regional Processing Centre. The reported manpower employment was based on administrative source which shows a proportion of 8.2% working age population are working for ESC in Y2019.

Table 1 and Chart 1 shows employment situation at the Nauru Utilities Corporation (NUC) based on their Annual Report FY2018-19 which reported a proportion of 4.0% compared to the working age population are working for the NUC during such period. Also note that it is the first time to include NUC in this labour workforce data collection task for Budget Paper-2 purposes.

Table 1 During between the periods from 2015 through to 2019, the population engaged to employment for the state owned entities (SOEs) such as RONPHOS, Eigigu Holdings and Nauru Rehabilitation continues to fall below 10 percent whereas Nauru Airlines are experiencing a constant increase. RONPHOS and Eigigu Holdings once experienced to reach over 10 percent during year 2013.

## PART 3: State Owned Enterprises

In this section we will provide a brief narrative of the respective SoE's objectives as presented in their 2019-20 budgets.

### Ronphos

Ronphos has accumulated losses of \$29.7 mil since 2015 and next year expects to reverse this trend. The 2019-20 budget for Ronphos is based upon the company undertaking its own mining, processing and exporting of phosphate. It is substantially based on mining the remanent (Secondary) phosphate resource on the island. It requires a large investment in new equipment, some of which was provided by an Exim Bank of Taiwan in a back-to-back loan to the Government and the company. Funding of further capital investment in 2019-20 assumes a further USD\$5.0 mil loan from Samsung C&T (Singapore).

Following from the investment it expects to lift production from current levels of around 70,000 tonnes per annum to 400,000 tonnes exported during the year. It assumes that production costs will fall from \$235 per tonne to \$117 per tonne and an average sale price of \$131.70 per tonne. If the production objectives are met and the price estimates are correct the operation should produce a cash surplus of \$2.3 mil after the payment of debt and capital. A major risk associated with the budget is increased fuel costs.

The company is also planning to commence a study into the feasibility of increasing production to 1.5 million tonnes of phosphate per annum. The company plans to engage a Sales, Marketing and Business Development Manager during the year who will be tasked with creating a range of new branded Dolomite and phosphate products that will be marketed direct to customers.

### Nauru Rehabilitation Corporation

NRC is undergoing a transition from providing phosphate mining for Ronphos to a primary focus on land rehabilitation. It is aiming to rehabilitate land for use as residential; renewable energy; agriculture; aquaculture; sports; parks and natural reserves. It ceased mining operations in February 2019. The operation has accumulated losses of \$21.7 mil since 2013.

In the 2019-20 financial year budgeted revenues of \$15.3 mil are anticipated with \$9.4 mil of this revenue expected from three projects. Land clearing associated with the ADB Solar farm; Cemetery preparation and the construction of a donor-funded football field are the three main project revenue sources. Sale of Aggregate revenue of \$2.5 mil is expected with \$500K of this being aggregate required for the Port project. It is also expecting a resumption in the production and export of Amour rock with \$1.0 mil of this being exported during the year. It is also assuming that it will be continuing to undertake the road maintenance for the RPC which provides \$977K in revenue each year.

Operational expenditure is expected to be \$6.9 mil with Local Salaries (\$1.8 mil); Project fuels and materials (\$1.7 mil); Consultants (\$826K) and Land lease/rental costs (\$653K) representing the operations highest costs. It is considering spending \$3.7 mil on capital equipment \$3.0 mil of which is on new crushing equipment.

The budget envisages a net operating profit of \$4.6 mil of which \$3.4 mil is proposed to be transferred to an asset replacement fund. The company has \$2.4 mil in outstanding receivables of which \$1.2 mil is owing from RONPHOS and it is examining mechanisms to collect this revenue.

## Eigigu Holdings Corporation

Eigigu Holdings Corporation (EHC) currently has 9 subsidiaries namely, Eigigu Supermarket, Menen Hotel, Enigin, Eigigu Transport, Eigigu Enterprise, Eigigu Civic Centre and the recently established Eigigu Solutions Corporation (ESC). EHC also has the Eastern Gateway hotel in Majuro, Marshal Island which remains subject to disputation.

The 2019-20 consolidated budget expects the group to produce \$27.6 mil in revenue and \$24.6 mil in expenses resulting in a before tax profit of approximately \$3.0 mil. After tax, capital spending and a proposed \$250K dividend payment to Government \$393K is expected as retained earnings.

In respect of the subsidiaries the largest revenue-earner continues to be the Menen Hotel with \$10.4 mil in revenue. The largest source being accommodation (\$8.0 mil). Total expenses are estimated at \$9.1 mil contributing a before tax profit of \$1.3 mil to the group. The Menen hotel budget is highly dependent upon the continued level of accommodation patronage associated with RPC operations.

Eigigu Transport Services is expected to be the next largest contributor to earnings with forecast earnings of \$4.4 mil primarily from the provision of hire cars. After expenses of \$3.9 mil it is expected to provide a before tax profit of \$531K. This subsidiary's income is highly dependent on the on-going need for hire vehicles associated with RPC operations.

The Eigigu Supermarket operation is anticipating \$8.1 mil in sales with expenses of \$7.6 mil, producing a before tax profit of \$487K.

With the exception of the Eastern Gateway Hotel the remaining subsidiaries of the group are all predicting positive but modest returns.

## Nauru Airlines

During 2019 Nauru airlines has faced high costs associated with five of its aircraft requiring routine C-Checks during the year. In addition, it has had to replace five aircraft engines over the last two years, high fuel costs and delays in commencing operations to Guam and reduced contracted services to the ABF. It has however strengthened current and future freight opportunities and extended contracted services to Air Vanuatu. There is measurable growth in the RPT network and improvements in the technology supporting sales.

In the 2019-20 financial year the airline is expecting to increase passenger revenue from the provision of services to Air Vanuatu and RPT passenger revenue growth. Freight income is also expected to grow slightly from current forecasts. Revenue is expected to increase from \$59.3 mil in the current year to \$79.6 mil. in 2019-20.

Costs associated with recruiting more flight crews and increased maintenance reserves are allowed for next year along with an increased contribution to overhead costs. Overall costs are expected to grow from \$58.5 mil. in the current year to 72.3 mil. in 2019-20. It is expected that the after-tax result will be a loss of approximately \$1.3 mil. It is not expecting to require any subsidy from Government during the year.

## Nauru Utilities Corporation

NUC is continuing to move towards financial sustainability and reduce its reliance on Government. In the 2019-20 budget it does not intend to seek Government assistance for operational requirements. It is also continuing to move towards reducing the cross-subsidy between commercial and domestic users of its services.

The 2019-20 budget assumes that the Government fuel subsidy for its operation is retained and that fuel prices are stable over the year. It also assumes that the current tariffs and rates remain affordable and that Government clients are prompt in the payment of their accounts. Increased sales are forecast to RONPHOS and from the connection of RPC1 to the main grid from April next year.

Fuel and Oil costs remain the largest expense associated with electricity production and it is expected that 5% of total production will be derived from solar next year. Significant increases in corporate costs are anticipated in the budget relating to land rentals and the provision of staff superannuation.

Total revenue from the provision of electricity and water is expected to be \$24.1 mil with total expenses (excluding depreciation and tax) of \$23.3 mil.

NUC is seeking an equity injection of \$5.4 mil from the Government in the budget to provide for land-clearing works associated with the ADB funded solar-farm project. When completed this will add a further 5MW of photo-voltaic generation capacity to the grid.

During the year NUC has made significant progress in improving the quality and reliability of its services. In the next year it proposes reducing the number of power outages from 36 to less than 20 and the total duration from 2,356 minutes to less than 1,000 minutes. Total energy losses from the system are targeted to be reduced from 15% currently to less than 10%. Similarly, in respect of water delivery times the target is to deliver within two days of the request greater than 95% of the time.

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# PART 4: National Sustainable Development Strategy

## Context of the 2019 NSDS

The NSDS is the path forward for the people of Nauru by setting the National Vision and the National Development Goals which will give effect to the aspirations of the people. The NSDS first came into effect in 2005. It was updated in 2009 and the Department of Finance and Sustainable Development commissioned another review in 2016<sup>3</sup>. The 2016 review indicated that only 25% of the NSDS milestone activities had been implemented. The leading sectors where milestone activities had been implemented were Education, Environment, Public Administration, Sports, Governance Institutions, and Fisheries. These sectors had received aid assistance from development partners and were able to undertake their key milestone activities. Progress in implementing the NSDS milestone activities was affected by lack of funding; lack of staff capacity; weak coordination; unclear goals; slow processing of land required for new projects and weak governance in selected areas.

In 2019 Nauru will also be presenting its first Voluntary National Review (VNR) on the Sustainable Development Goals (SDGs) at the United Nations. The formulation of the VNR is timely for Nauru to express the development story of Nauru in relation to the recently reviewed national sustainable development strategy (NSDS) – as revised 2019, with the implementation and monitoring of the SDGs.

The SDGs assimilated effortlessly with Nauru's key development priorities in the areas of enhancing climate change resilience, high quality education, good health, good governance and economic growth and development. The emphasis on restoring the degraded and mined out lands (from the past mining in Nauru) continues to be one of the key ingredients to untangle the development opportunities for Nauru, and together with the implementation of the SDGs will enable Nauru to address many of the challenges that will advance Nauru's development.

The VNR and the NSDS Review have identified number of key areas for the strengthening the monitoring and evaluation of SDGs. In this regard, with continuing support from development partners towards a realistic integration of the SDG goals in Nauru's development planning and monitoring. To ensure the data gaps for analysis are activities scheduled beyond 2019.

Although there have been some development success stories particularly in key infrastructure development for education and sports stadium. As a Small Island Developing State (SIDS) island nation; capacity developments as well as financial and technical assistance are necessary elements to implement the NSDS successfully. Nauru will continue to support the aspirations of the SAMOA pathway and SDGs and will purposefully assimilate with the national development priorities for attaining – 'partnerships for quality of life'.

The following provides information of work implemented, completed or in significant progress during recent the financial year of 2018-2019. The information was extracted from Annual operating plans or directly received from Ministries to report in the four development-category sectors for development.

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<sup>3</sup> National Sustainable Development Strategy: 2016 Review Report

## Economic Sector

Diversification of the economy is long-term development priority given the risks associated with dependence on a narrow range of products or services. With the expected changes to the operations of the RPC, Nauru is likely to become more dependent on foreign aid and the proceeds from fisheries licences. This increases Nauru's vulnerability to the changing international economic and geopolitical environment. Improving the environment for private sector development allows the economy to widen the range of goods and services, which can be produced. Such diversification, where directed effectively, will enable the economy to be more resilient in the face of market and geopolitical instability. This requires the strengthening of public infrastructure, financial services, governance institutions and land management.

## Public Sector

In this reporting period, the reinstatement for long-term savings for the people of Nauru for their retirement is a considerable achievement. In this regard, the steady progress for the Intergenerational Trust Fund (ITF) has reached \$100 million invested in a short time; also New Zealand will be formally joining into the ITF partnerships to enhance the security of a sustainable Nauru.

There was no activity for reviewing the current financial systems in FY2018-2019, the last self-assessment-public expenditure and financial accountability (PEFA) was undertaken during FY2016-17. Nauru will look to the support with Pacific Financial Technical Assistance Centre (PFTAC) to schedule this essential review beyond 2019, to strengthen Nauru's assimilation with the global financial community thus an enabler to the necessary financial and technical assistance by expert partners.

In 2018-2019, the Nauru Revenue Office continued administration of the Employment & Services Tax and the Revenue Administration Act also focusing on taxpayer compliance, with an emphasis on maximising revenue collections. The successful introduction of these reforms will see in place a robust taxation regime. As a signatory to the OECD Mutual Administrative Assistance Agreement in Tax Matters, Nauru commenced the automatic exchange of financial account information in September 2018. As a result of Nauru's engagement and compliance with OECD requirements Nauru will continue to be held in high regard in the global tax community.

Custom brokers training elevated Nauru customs standards. The Nauru Customs office conducted training on customs tariff harmonisation system for brokers elevating Nauru standards in the region, with the technical support of the regional Oceania Customs Organisation (OCO) to strengthen the border enforcement, revenue collection and trade facilitation of Nauru.

The roll out of the Nauru superannuation fund commenced with member contributions since July 2018 with follow up information presentations by the investment consultants to paint a clearer picture of the benefits of the retirement fund to the employees of Nauru.

The Nauru postal service has achieved the following; to reduce the annual fee of AUD\$60,000 that Nauru Post has to pay the UPU and, two, for the UPU to forgive Nauru's past arrears, which is now in excess of AU\$2 million.

## 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.

One of the key outputs from Fisheries from this reporting period was the significant windfall in revenues from the vessel day scheme under the Parties to Nauru Agreement (PNA). Among the success stories for fisheries was in association with the Forum Fisheries Agency (FFA) in the acquisition and essential aerial service for monitoring to protect the fishing stock against illegal fishing boats. On the other hand, challenges remains in improving food security for communities of Nauru.

## Agriculture

A program known as - Eben Omo campaign, operated under the environment- agriculture division of the department of commerce, industry and environment (CIE), promotes environmental awareness and aims to change human behavior has trudge on with innovative activities aimed at impact like sustainable lifestyles for food security as well as protecting the environment. The challenge for those living on Nauru then is to not only grow and eat our own fresh produce, but to permanently reduce our current intake proportions of carbohydrate and protein. The Agriculture division planned to ensure the following key outcomes that included; enhanced agriculture (including livestock) and fisheries production for food, especially advocating improved food nutrition quality and safety.

## Social and Community Sector

The Social and Community Sector comprises of key development areas as Education, Health, Sports, Language & Culture, Youth empowerment, Women empowerment and Civil Society.

### Education

- Improve the quality and broaden the scope and reach of education.

Key Performance Indicators	
1	Net enrolment ratio in primary education to increase
2	Proportion of pupils starting grade 1 who reach last grade of primary schooling to increase
3	Literacy rate of Year 12 students to increase
4	Student attendance rates to be raised
5	Proportion of special needs students attending Able Disable Centre to increase
6	Percentage of teachers with a diploma or degree to increase
7	Proportion of youth population undertaking either academic or TVET courses to increase
8	Pass rates for access to regional tertiary study opportunities to increase
9	Number of people with disabilities in employment to increase

The community and sector consultations conducted for the 2019 Revised NSDS proved that Education remains a critical area of concerted effort and concern for the people of Nauru. However, key results such as pass rates, completion rates and retention rates continue to fall below expectation. In addition, high incidence of absenteeism remains a perplexing and expensive challenge for the Department of Education.

The aforementioned community and sector consultations further showed that there are not enough students pursuing training in technical fields to fill Nauru's gaps, particularly in the fields of science, technology, ICT, and healthcare. It is also clear that there is a growing of group of young people who have not received adequate formal education and who are excluded from the formal economy thus resulting in possible marginalization and disillusionment fuelling an increase in incidences of juvenile delinquency.

The challenge for the Education sector is that while Education is free for all students with significant incentives offered by the government and development partners to promote better outcomes, the challenges persist. It is obvious that new, more effective and more innovative interventions are urgently needed.

The table below provides a snapshot of the progress made by the Education sector during financial year 2018-2019. In summary, Education continues to make slight, steady and consistent progress in this fiscal year. Notable achievements include;

### **PROGRESS**

- **Access** - Access to education continues to be available to all school aged children in Nauru with schools catering ages 5-18 including one school which caters for children with severe special needs. Statistics indicate a slight improvement in net enrolments from 4% in 2017 to 12% in 2018.
- **Teacher quality and retention** – Of 133 teachers in 2018, 87% are qualified, local teachers. This is a steady improvement from the 2017 figures of 73% of the teaching body were qualified locals. The TARC (Teacher Attraction and Retention Committee) was approved by cabinet and has thus been established. Two qualified counsellors are employed; one at NSS and the other at Yaren Primary School to provide counselling for emotional wellbeing. Teacher training by UNE continues in 2018, with graduation of 2016 cohort held in early July 2018. Final cohorts of trainees continuing under existing agreement are due for completion by June 2019. All school principals and TICs are qualified for their positions.
- **Buildings** - Maintenance works continue on a number of classrooms throughout the 10 government schools. This is supported with funding from UNESCO and NZ MFAT. A feasibility study for a new purpose-built Primary school has been proposed to government and donor partners.
- **Curriculum** – The Curriculum License Agreement 2018-19 was renewed in November, 2018. Ongoing support for the QCE was maintained in 2018 with support from Australia DFAT. The Queensland Schools Improvement Unit (SIU) visited Nauru in October 2018 after an 18-month gap. A report has been submitted to the Department of Education for their consideration and action. Year level Curriculum coordinators for Y1-Y10 were selected to assist CASE with curriculum and assessment planning, implementation and alignment to QCE. Quality Control is provided through the Quality Schools Standards Framework, which was rolled out to schools in Term 3, 2018.
- **Professional development** - Senior Department of Education and Nauru Secondary School officers attended Queensland Department of Education International conference and school visit to Brisbane to study QCE implementation in action. QCAA moderation training for 4 QCE teachers was conducted in May, 2018 in Brisbane plus visits to 4 schools and a meeting with QCAA. Four QCE subjects were moderated during the visit. QCE support and capacity building for NSS principal and QCE teachers continued in 2018. School Improvement Unit from Queensland visited NSS and recommended five key strategies for improvement. Leadership training for Principals is ongoing through both School grants program and professional development activities. Study visit to other regional education systems (Kiribati, Fiji, Solomon Islands and Marshall Islands) were completed in August. Visit reports have been submitted and presented at Teacher workshops in Term 3. Two schools participated in the New Colombo Plan placements for UNE teacher education students. This was well received and supported by school principals.
- **Data** - Annual Satisfaction Survey progressing well with assistance from Nauru Bureau of Statistics. A local consultant has commenced work and early results should be available in the next fiscal year. The 2017 Education Statistics Digest was published in 2018.

### **CHALLENGES**

- **Student attendance** – Student attendance rates continue to fall below par despite heavy government investments such as employment of School Liaison officers for monitoring, introduction of behaviour management plans, free school lunches, free transportation to and from school and the introduction of the \$5/student/day-NEAT scheme.
- **Student assessment & results** – Student participation in national benchmarking continues to be low



and student participation for National Scholarship examinations have also slightly dropped from 53% in 2016 to 51% in 2018. The target for both the Year 8 and Year 9 scholarship participation is set at 90%. Average scores dropped across all four core subjects in Y9 and consistently remain low particularly in Mathematics and Science. Literacy and Numeracy benchmarking results remain low with only 27% of Y3, 19% of Y6 and 32% of Y9 students meeting the minimum literacy benchmarks. Only 66% of Y3 and 32% of Y9 students met the minimum numeracy benchmarks. There are no results for Y6.

- **Buildings** - Progress to critical work on school buildings have mostly been delayed due to weak government procurement systems and shipping difficulties such as delay in cargo offloading due to poor weather
- **Staffing** – There is still a far heavy reliance on expatriate teachers in all areas of Education (Early Childhood, Primary and Secondary and even management). This trend does not look to improve in the near future and it is neither ideal, affordable nor sustainable.
- **Curriculum** - The high school prescribed program, QCE, while an ambitious, merit-laden program, continues to prove to be a non-sustainable, expensive venture for Nauru that happened all too quickly.
- **Resources** – Resourcing the schools adequately continues to be troublesome, particularly, resourcing which is ICT in nature. Nauru schools’ are still starved of the benefits of a technologically, web connected learning environment. Currently, schools remain unconnected to government server and thus the internet.
- **Leadership** – The sad passing of the substantive Department Secretary has left a void which is affecting progress continuity and accountability.

## Health

- A healthy and productive population.

Key Performance Indicators	
1	Total health expenditure as a % of total government expenditure to increase
2	Under five mortalities (DHS – 44/1000), Infant mortality rate (DHS – 38/1000) to decline
3	Maternal mortality rate, Unmet need for family planning (DHS – 23.5%) to decline
4	Contraceptive Prevalence Rate to increase
5	Age Fertility Rate (15-19 yrs) (DHS – 15%) to decline
6	Deliveries by skilled birth attendant (DHS - 97.4%) to increase
7	Women who had high risk sex in the past 12 months (DHS 23.9%) to decline
8	Men who had high risk sex in the past 12 months (DHS 51.5%) to decline
9	Percentage of population suffering from diabetes to decline
10	Percentage of population at risk of developing NCDs to decline
11	Prevalence of NCDs to decline
12	Life expectancy to increase

Health is a vital sector which must be strengthened if the vision of the NSDS is to be achieved. The current indicators show that the state of health on Nauru is well below regional standards. However, notable progress has been made in the improvement of infant and maternal mortality rates. The rising incidence of NCDs continues to increase the cost and burden on government for health service provision (including prescriptions and overseas referrals) and unfortunately, lifestyle habits which guarantee NCDs show no indication of diminishing. These include lifestyle habits such as excessive alcohol and or kava consumption, smoking, poor diet and lack of physical activity.

The high incidence of NCDs not only adds to the ever increasing cost of the Healthcare sector but it also decreases the size, quality and potential of the labour force. Annual expenditure for diabetes alone currently measures at approximately 20% of government’s annual Healthcare expenditure.

In this financial year, again the Health sector continues to struggle to maintain standstill with unfortunate yet obvious signs of regression evident through severe weakening of core institutional structures such as finance planning and management.

The following provides a snapshot of key achievements and challenges for FY2018-2019.

<u>PROGRESS</u>
<ul style="list-style-type: none"> <li>• <b>NCDs</b> – There have been slight but crucial improvements made in this area especially in raising awareness of prevention and management of NCDs. This year has maintained a very visible, yet steady increase in participation physical activity by the general population; especially in activities such as Cross Fit, Zumba and weight loss and maintenance. Also, the completion of the new indoor sports facility by the Sports Department is also hoped to encourage the uptake of physical activity by the general population. In addition, the Community Wellness Centers continue to improve access to health promotion advice and primary medical services. Efforts have also been maintained to renovate homes of persons with physical disabilities so that the houses are disable friendly. Most living with disabilities have had their disabilities brought on by an NCD, most usually diabetes.</li> <li>• <b>Communicable diseases:</b> Health continues positive progress in maintaining quick and effective response to Communicable diseases. Nauru was among the first of the South Pacific nations to record seroconversion to Zika virus. The most recent dengue outbreak reported 901 cases of dengue in three months. This is equivalent to nearly one-tenth of the total population. Health effectively contained the outbreak with only 1 fatality</li> <li>• <b>Mental illness:</b> Mental health is a growing issue in Nauru but promising improvements have been made this year with additions made to dedicated unit and a definite increase in visibility, understanding, awareness and support from the community.</li> <li>• <b>Local Human resource:</b> While Health continues to suffer from human resource issues, some positive progress has been made in the last year. These are; <ul style="list-style-type: none"> <li>▪ 2 Cuban trained medical interns have returned to the workforce after completing their medical internship with the Kiribati Health Ministry. Another 2 are still undergoing training</li> <li>▪ 1 Fiji trained doctor has rejoined the Health workforce after completing internship in Fiji</li> <li>▪ 1 Fiji trained Biochemist has graduated and also rejoined the Health workforce</li> <li>▪ 2 senior nurses have graduated with Masters degrees from Australian universities and have also rejoined the Health workforce</li> </ul> </li> <li>• <b>Infrastructure:</b> Admittedly, the progress in this area is not ideal. However, positive indications are seen with consistent funding support for long-term contracts responsible for maintenance and upkeep of the main hospital building structure.</li> <li>• <b>Technology:</b> The introduction of telemedicine this year will enable doctors to access medical specialists via video link in real time.</li> <li>• <b>Development Partner support:</b> Development partner support remains strong and consistent with continued visits from overseas medical specialists including the Pacific Eye Team and the Taiwan Medical team. In addition, medical equipment has been donated by JICA, Digicel and the Rotary Club of Nauru.</li> </ul>
<u>CHALLENGES</u>
<ul style="list-style-type: none"> <li>• <b>Policy planning, implementation and evaluation:</b> There is general agreement at all levels that</li> </ul>

## CHALLENGES

one of the major shortfalls of the health sector is operational systems and planning. This is apparent through the lack of an MHMS annual operational plan (AOP), without which changes and developments are unlikely to occur. There is no AOP produced for Health for this fiscal year. Also, the position for Health Finance & Planning remains vacant.

- **Health information management and data:** There has been no significant progress in introducing a Health Management Information System (HMIS) this year.
- **Overseas Medical Referrals (OMRs):** OMRs remain the single most expensive (currently measuring at 87.7% of total government Health expenditure) activity in the Health budget. This year has shown no improvements in this sector by either reducing the cost and incidence of OMR or bringing about a less expensive, more effective alternative.
- **Human resource:** Human resource constraints continue to plaque any and all development of the Health sector this year. Health human resource issues include staff turnover, absenteeism, recruitment, lack of professional registration and reliance on expatriates.
- **Infrastructure:** the RON Hospital has never been properly upgraded or maintained. The buildings suffered significant fire damage in 2013, and the donated buildings were not tailored to meet Nauru's unique climate and needs. There is much potential for redevelopment to capitalize on the available space and better streamline for improved service delivery.
- **Awareness and early detection:** people fail to seek early medical attention through lack of understanding and or mistrust of the Health system thus exacerbating the situation often outcome in fatality and increased cost.

## Sport

- Enhanced quality of life through sports for all.

### Key Performance Indicators

1	No. of medals won in regional and international sports competitions to increase
2	No. of scholarships/training awards provided to elite sports people to increase
3	Per cent reduction in NCD cases reported per year
4	Per cent reduction in deaths caused by NCD per year

The role of sport in Nauru is recognized as critical to building a healthy and sustainable population for the future. The Sports Department is mandated to facilitate and foster regular, organized sports run by youth and adults to promote healthy lifestyles, skill development, community building and leadership in all constituencies.

The Sports sector in Nauru continues to make steady but notably marked improvements with an obvious increase in interest and participation in Sporting activities by the general population. A summary of the achievements and challenges made in Sports for this fiscal year are detailed in the tables below.

## PROGRESS

- **Etangit Keramwan – Naoero Sports Complex** – Nauru's first indoor Sports facility housing a wide range of activities including weight sports, basketball, volleyball and more was successfully completed and opened in this financial year. This project was jointly funded by the Government of Nauru and the Government of Australia
- **Refurbishment of existing facilities** – Refurbishment and renovation works of existing sports facilities throughout the communities has commenced this year with one being ready for opening in

## PROGRESS

late May 2019

- **Traditional Sports** – This year has seen the successful introduction and participation increase in traditional sport activities such as Ibwibo, Ikurdaga, Itsibweb and Ekabwarere.
- **National Sports Strategy** - The tender process for a consultant to draft Nauru’s first national Sports strategy continues with completion envisioned for the next financial year
- **International and regional competitions** – For the first time ever, Nauru hosted Oceania Powerlifting Championships. Nauru also participated in the Commonwealth games bringing home 1 silver medal. Nauru also participated in the Dubai Special Olympics bringing back 1 gold, 1 silver and 1 bronze. Nauru also participated for the first time ever at the World Chess competition. Other overseas participations include regional tournaments for darts, Greco-wrestling, rugby and judo.
- **National participation** – As mentioned earlier, this year has seen and maintained a very visible yet steady increase uptake of physical activity by the general population; especially in activities such as Cross Fit, Zumba and weight loss and maintenance. New sports are being introduced such as surfing karate while others such as basketball, volleyball and tennis are getting a new breath of life.

## CHALLENGES

The same challenges persist for this sector and they are listed below;

- **Funding** – Given the potential that Sports has in stalling if not reversing the impacts of NCDs on Nauru, it still does not receive adequate funding to achieve all that it envisions.
- **Human and institutional capacity** – Despite the large responsibility mandated by government, this Department only really has about 6 staff which is not nearly enough to meet all that is required of the Department.
- **Coordination** – Coordination between the Department and the many, different Sport associations and district communities is very troublesome and complicated due to capacity issues in these different organizations coupled with the capacity constraints of the Department itself.
- **Availability of land/space** – There is simply not enough land/space for the desired outcomes of Sports to be achieved. This is seen especially now with the renewed and increase uptake of Aussie Rules football dominating all the available open spaces leaving no room for other sports such as athletics, softball and soccer.

### Traditional Leadership & Culture

- A healthy, socio-cultural, inclusive, cohesive and self-reliant community with sustainable livelihoods.

#### Key Performance Indicators

1	Proportion of community leaders trained in community leadership programs to increase
2	Proportion of community leaders in Boards and Committees to increase
3	No. of schools (primary/secondary) that have introduced the teaching of Nauru language to increase
4	Proportion of primary and secondary school students that can read Nauru language fluently to increase
5	Yearly turnover of community managed sustainable livelihood projects (SMEs/retail stores/microfinance) to increase
6	Number of people with disabilities in employment to increase

Progress in this sector has been sure for this fiscal year with marked achievements made in the area of language and culture preservation and transfer. The tables below detail key achievements and challenges for this sector.

## PROGRESS

- **Reestablishment of the Nauru Museum** – After decades without a national museum, the renovation and restoration work to the “Dabonbono” building (formerly the Works Department Head office) in Boe saw the reestablishment of the Nauru Museum. The building itself is a historical landmark and is being proposed for inclusion on UNESCO’s Intangible Cultural Heritage (ICH) list for preservation.
- **Ratifying the World Heritage Convention** - With the assistance of UNESCO, Nauru is in the process of composing a priority endangered list of Nauru’s ICH.
- **Introduction of Culture and Language program in schools** – Program has started firstly with Nauru Secondary school. Visits are currently at once a week classes with 1 period for culture studies and 1 period for language studies. Training includes handicraft training in basic weaving and teaching of Nauru language through legends and learning the vernacular for basic things as colors and numbers
- **National days** - Establishment and observance of World Indigenous day (August) and an Annual National Culture event
- **Production of handbook on Nauruan tribes** – Research steadily progressing with the aim to finalize and distribute to all schools in the near future. Research includes ongoing interviews and data collection in collaboration with the elderly Nauruan community. This work will also contribute to the ongoing work of producing a Nauruan dictionary
- **Mapping heritage sites** – Work remains ongoing in collaboration with Nauru Lands Management for accurate data and land plotting. This work includes efforts to preserve and safeguard Maqua cave as a national landmark and intangible cultural heritage site.
- **Promotion of traditional handicrafts** – traditional handicrafts continue to be promoted through marketing at selected outlets and events.
- **Documentation of local/alternative medicine** – this work continues and early indicators show promising outcomes as a means of cultural preservation and sustainable and affordable alternative to western health remedies
- **Increase in appreciation and awareness of tribes** – this is demonstrated through community activities such tribal song competitions and games. More and more people are participating and also learning and passing on knowledge of their tribes through these activities
- **Traditional sports** – The successful re-introduction and participation or traditional sports in collaboration with the Sports Department and the various communities
- **Culture policy** – A Culture Policy currently underway and is envisaged for adoption and implementation in the next fiscal year

## CHALLENGES

- **Technical capacity** - Availability, coordination and collaboration of local experts currently very limited and hindering progress
- **Funding** - Currently the only budget allocation for projects proposals is within the Government budget. Current funding has limited the marked progress made for this sector
- **Human resource capacity** – Currently, there is limited staffing with adequate expertise in this field is a hindrance to progress being made on a more significant scale

## Women and Development

- A just society that recognizes and respects the rights of women and promotes equal opportunities.

### Key Performance Indicators

1	Proportion of CEDAW related programmes established and mainstreamed in all government plans, policies, strategies and programmes to increase
2	Proportion of women in Parliament to increase
3	Proportion of women in leadership positions in Government, Government Boards, and private

	sector to increase
4	Proportion of women in paid employment to increase
5	Per cent share of average household income contributed by women to increase
6	Proportion of community projects/programmes managed and implemented by women's groups/NGOs/Civil Society to increase
7	Number of child protection cases documented and closed through a case management process

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.

<b><u>PROGRESS</u></b>	
	<ul style="list-style-type: none"> <li>• Host First National Women's Summit</li> <li>• There was a higher proportion of females participating in the consultations and demonstrating interest in the development issues of their communities in both the responses to questionnaires and in district consultations;</li> <li>• First female commonwealth medalist – Charisma Tarrant</li> <li>• Noticeable increase of women in senior positions including overseas ambassador postings, head of department, and membership on boards and councils.</li> <li>• 2 new positions being created under office of the president to streamline gender mainstreaming in national policy making</li> </ul>

<b><u>CHALLENGES</u></b>	
	<ul style="list-style-type: none"> <li>• Caring for a family member with an NCD often falls to women and girls, who may stop attending school or give up their employment. This has consequences for their future financial security and opportunities, and can serve to push families into poverty. As women grow older, they are often faced with the double challenge of living with an NCD while also caring for family members with NCDs</li> <li>• Not enough staff to implement the work</li> <li>• Tariff from alcohol and kava tax not being pumped back into this Department for implementation of other activities</li> </ul>

## Youth Development

- Investing in youth – a sustained future for Nauru.

Key Performance Indicators	
1	Number of out of school youth to decline
2	Youth unemployment rate lowered
3	Number of offenses committed by young men and women to decline
4	Number of out of school youth to decline
5	Youth unemployment rate reduced
6	Number of offenses committed by young men and women reduced

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

- A robust, vibrant and effective civil society for a just and peaceful Nauru.

Key Performance Indicators	
1	Proportion of CSO/NGOs that participate effectively in government processes to increase
2	Proportion of CSO/NGOs that have the capacity to design, propose and implement programs to increase
3	Proportion of CSO/NGOs delivery services that are human rights based to increase
4	Proportion of CSO/NGOs bodies under the NGO umbrella secretariat to increase

Progress for this sector remains at a standstill due to capacity constraints, fragmentation, lack of leadership and funding as well as heavy reliance on government for direction and funding.

## Infrastructure Sector

Under the NSDS, the key priorities identified by the people for the long-term priority - Provision of Enhanced Social, Infrastructure and Utilities Services were;

- Commencing port development to lower the cost and duration of transporting goods by sea and providing opportunities for fisheries development and investment
- Improving the drainage system and roads to lower the economic costs of domestic transportation
- Improving the supply and quality of water and sanitation to improve health outcomes and support economic diversification

The government has established a Ministry of Infrastructure Development for public economic investment infrastructure sector, to manage and lead this key development sector. In this regard, ADB has provided technical assistance in establishing the essential policies and institutions to facilitate the progress of infrastructure development for Nauru. The infrastructure investment plan was last reviewed in 2013 and a revision is a key output scheduled in 2019.

The ongoing housing scheme has continued and is anticipated to indirectly reduce cost for the health services because of the improved welfare and safety at the household. In addition, key infrastructure for tertiary institution – USP Nauru campus and the national sporting complex – Etangit Karamwen are both operational offering the development impact particularly for the social sector.

## Energy

The goal for the energy sector is to provide a reliable, affordable, secure and sustainable energy supply to meet socio-economic development needs. The frequency and number of power shutdowns has significantly improved from 4 years earlier. In addition to the commissioning and operation of the two – 2.8 megawatt diesel generators, the expansion of the renewable energy source from solar has progressed well with the NZ-MFAT and EU funded solar farm will be going online in late 2019. Another solar farm funded by ADB is in the planning stages, edging closer to Nauru's Energy Roadmap (2018-2020) renewable energy target of 50% by 2020.

## Water

Nauru is typically a drought prone island and the advancement of water security has attained several in-roads including; 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. Increasing the water storage capacity of the island is an ongoing development activity prioritised by the government with the lead department of CIE and participating donor partners like Australia, Italy and EU to name a few.

## Communications & Media

An agreement has been made to help fund submarine cable to enable high-speed connection. This project will give Nauru improved and reliable Internet connection both locally and internationally which is a main priority identified in the NSDS. Locally, the Taiwan ICDF funded Fibre Optic Cable Project will improve connections between Government offices across districts. The introduction of second telecommunication service known as PacCell has introduced a competitive market to offer value-added consumer services and products in telecommunication for the people in Nauru.

## Cross-cutting Sectors

### Governance Institutions

The governance institutions are key building blocks for progressing towards the NSDS outputs. Although progress has occurred in strengthening governance institutions, including the law and justice sector, more work is required to complete many of the reforms in the areas of an independent media, freedom of information, and leadership code. Other issues identified include outdated legislation, the need for more qualified personnel, the court backlog, and issues of gender and child-based violence. Investment in local personnel to attain professional legal qualification is an ongoing activity to try to achieve development impact.

The development projects have been largely driven by the governments' agencies that generally have the technical skills but without the drive and ownership of NGOs & Community the programmes introduced have lacked the impact intended as the participation and empowerment by all community stakeholders was not genuinely inclusive. Collaborations and building stronger partnerships with the different the government department is ongoing to strengthen and ensure genuine engagement with civil society. Recently the following inclusive-development initiatives were undertaken that facilitated in strengthening Nauru development; in the reporting period on-island pleaders course resulted with 15 Nauruan graduates, in the Parliament a leadership code was enacted, and a consequential review is being planned.

An internal public expenditure and financial accountability (PEFA) was undertaken to measure the performance of Government financial systems. Other governance initiatives have been reported under the



annual NSDS progress report however this report is only presented in narrative form. The incorporation and measurement of development progress using relevant indicators is a key challenge to report for SGDs.

## Land Management

The restoration of the degraded land on Nauru's upper land plateau is key development enabler and recently efforts by the Nauru Rehabilitation Corporation (NRC) have been noteworthy. In this regard, the Higher Ground project, the review of the Land Use plan document and the incorporation of relevant land legislature required for development are scheduled activities where the outputs achieved will allow the smooth progress for the development of Nauru.

## Environment

Two (2) Nauru Meteorological Services' observer and climate forecaster completed their training in hydrology, attended the fourth Pacific islands climate outlook forum (PICOF-4) technical training. The forum was organised by SPREP to learn more about seasonal forecasting, climate modeling and meteorological information dissemination.

The ridge-to-reef project (Eben Omo) 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. The community ownership of the objectives of ridge-to-reef has been one of the key challenges to achieve the envisioned sustainable communities of Nauru.

The deployments of fish aggregating device (FADs) have continued, increase to a total of 4 FADs in the coastal ocean of Nauru. There has been limited progress for the aquaculture and milk fish farm however NFMRA have schedule innovative strategies to invigorate these food security projects.

Several key supporting policy documents have been reviewed or incorporated including not limiting to the following– National Integrated Environment Policy and Fisheries and Aquaculture Bill needs to be passed by Parliament. Progress to date have been in the form of five milestone activities ranging from the National Adaptation Program of Action (NAPA), the completed second National Communication (SNC) project and the endorsed strengthening of the disaster risk management and climate change adaptation responses. Other achievements for the environment sector include the community and public awareness of climate change.