



Republic of Nauru
Department of Finance

Annual Report
2021-22

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FOREWORD FROM THE MINISTER FOR FINANCE

Ekamowir Omo. The Ministry of Finance continues to pursue its vision in leading in the provision of economic and financial advice and delivery of service to Government and for all Nauruans.



The year 2021-22 had been a challenging year for the Ministry with a national budget premised on “Building a Resilient Naoero” set against a backdrop of global uncertainties and prolonged pandemic due to the evolving nature and spread of the corona virus.

Despite the rising global economic challenges, Nauru is positioned to register record growth of 2.6% for the period ending 30th June 2022, a 170-basis point higher than last year real GDP growth. A major contributing factor to better economic conditions is the extension of RPC arrangements to 31 December 2022 which have positively impacted on all key sectors of the economy. Finance continues to play a crucial role in supporting economic growth through sound and prudent management of public resources within the framework of sustainable policies that will bring in lasting prosperity.

The Department achieved several key milestones during the year including:

- Fiscal Balance of \$23.1m for period ending 2021-22 and achievement of Fiscal responsibility ratios
- \$250 million funds under management for the intergeneration Nauru Trust Fund
- Total Funds available at \$150 million for management of all government programs
- Medium Term Macro Fiscal Model Developed for Nauru Economy
- Delivering the 2022-23 Budget and 4 supplementary appropriations for 2021-22
- Publishing the 2018-19 and 2019-20 annual financial statements.
- Provision of Subsidies and Donations to SOEs to improve livelihoods and support affordable electricity, regular air freight services and affordable port service charges
- Contraction of GON Outstanding Debt to 36 percent of GDP
- Approval by Cabinet to establish the Nauru Consumer Protection Authority.
- Continued Implementation of PACER Plus ASYCUDA World Project, and
- Launching of the Top Side Rehabilitation Program or Higher Ground Initiative.

Finance continues to work with relevant stakeholders throughout the financial year to complete priority projects, guide programs of performance improvement and facilitate overall level of outputs by Government. Nauru’s development roadmap is a challenge that we cannot do alone.

The Department values the support received from all relevant stakeholders and the generous assistance from our donor partners. I would like to commend the dedication and commitment given by all the Finance staff of the Ministry and congratulations on your achievements made in 2021-22. I look forward to continuing the good work with the team and wish them all the best.

May God continue to Bless Nauru.


Hon. Martin Hunt, MP
Minister for Finance and Sustainable Development
August 2022

INTRODUCTION

This annual report explains how resources were used and what was delivered by the Department of Finance during 2021-22.

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

The objectives of the Department of Finance are to:

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



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

LEGISLATIVE & REGULATORY RESPONSIBILITIES

The Department derives mandates from the following legislations:

- Constitution of the Republic of Nauru 1968
- Public Finance (Control and Management) Act 1997
- Finance Instructions General Principles 2018
- Finance Instructions Budget 2018

- Finance Instructions Payments 2018
- 2020-21 Appropriation Act 2020
- Census Act 1973
- Statistics Act 1992
- Nauru Superannuation Scheme Act 2019
- Revenue Administration Act 2014
- Employment & Services Tax Act 2014
- Business Tax Act 2016
- Telecommunications Service Tax Act 2009
- Gaming Act 2011, and
- Prices Regulation Act 2008.

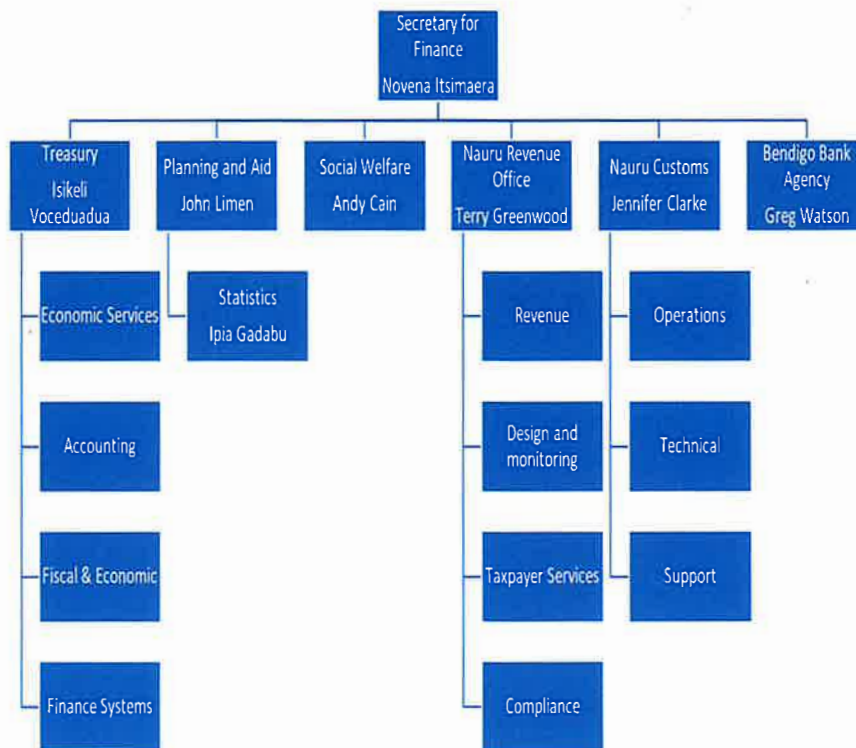
GUIDING POLICIES

- National Sustainable Development Strategy (2019-2030)
- Fixed Assets Framework, and
- National Budget 2021-22.

Over the reporting period the following senior staff changes occurred:

- Sandy Botral as the new Accounting Advisor to Treasury (BPAC)
- Rosco Cain as Acting Deputy Secretary (PAD)
- Abraham Itsimaera as the new Director Public Enterprise Monitoring Unit

DEPARTMENT OF FINANCE ORGANISATION CHART



COVID-19

The Government strategies in containment and control of spread of COVID19 has shown that Nauru is vulnerable to future outbreaks. Effective rollout of the vaccination and booster shots carried out earlier in the year ensured greater protection against the virus. Whilst the number of positive cases rose to over 6,000, Nauru registered only 1 death. Eradicating and minimising the spread of COVID19 would not be possible without the support of our bilateral partners. The Department assisted COVID19 strategies in the following areas:

- Provide support to the COVID19 Taskforce in the preparation and finalisation of the 2022-23 Budget
- Statistics Office undertake a COVID19 population survey to assess the actual number of adults eligible for vaccination
- Payment of risk allowance to Frontliner Officers to mitigate risks associated with handling passengers and goods via airplane and vessels
- Subsidies to Nauru Airlines and Ports to continue with weekly freighter services and the affordable port charges for goods brought in by Nauruan's.
- Processing of Ex-Gratia payments to civil service and SOE, to support households mitigate the inflationary impact in basic food items.
- Banking services facility remain open during peak covid19 surge to ensure Nauruans had safe access to cash.
- Prioritising GON resources to COVID19 Taskforce to combat surge of positive cases.
- Majority of the Department staff have been vaccinated with AstraZeneca vaccine and booster shots. Overall vaccine rate around the island at 98 percent and booster shots at 75 percent.
- Coordinated donor funding and assistance for COVID 19 Taskforce

INVESTMENT AND ECONOMIC SERVICES

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

NAURU INTERGENERATIONAL TRUST FUND (NITF)



Since establishing the Trust Fund in 2015, the Government has made significant investments and earnings to support future critical expenditure requirements after 2033. The current year continued volatility for investment due to the widespread impact of COVID19, rising inflation and interest rates, and the Ukraine conflict supply and demand-driven issues on the international financial markets. However,

through the sound leadership of the Trust Fund Management Committee, chaired by the Minister for Finance, the build-up of funds managed to sustain funds return in line with its investment objectives.

The NITF has investment objectives to:

- **Achieve a return of inflation + 4.5% over rolling 10-year periods**
- **Have a risk of negative returns of no more than four years in each 20 years, and**
- **Limiting the severity of negative returns to -21% using cVaR for the worst 5% returns.**

The NTF purpose is to grow the value of the Fund within the parameters of the MOU(s) with our co-contributors and returns on investments until 2033 or an acceptable fund base value. After which time the annual revenue of the fund could be used to support the budgetary requirement or fund special projects in Nauru. No withdrawals except for agreed extraordinary reason is allowed until 2033.

Our co-contributors (annually) include Australia, Republic of China (Taiwan), New Zealand and initial set up by ADB. The management is by formal quarterly committee meetings with the administration by BDO and fund manager - Mercer International. The Fund has full transparency in our Department for Finance Web page. We are members of the IFSWF which is a prestigious group of global sovereign wealth funds which requires a high level of transparency and accountability.

The fund value at the end of 2022 was A\$ 240 million with a three-year average return on investment of 10.1%. We annually review our allocation of investments within the 85% growth and 15% defensive portfolio KPI's.

The investments are in 14 different asset based actively managed funds which is giving the NTF protection during past and current volatility period in the equity markets. By having continued new annual contributions, the Fund can take advantage of the down turns in market value by investing at often lower cost base which benefits when the markets recover.

The NTF is on a solid sustainable path to meet its long-term objective and goals with proactive involvement by the committee management team and fund managers.

NAURU SUPERANNUATION SCHEME (NSS)

The Nauru Superannuation Scheme is managed per the Act by the Department for Finance with compliance of contribution payments undertaken by NRO. Since establishment in 2018 the fund has continued to grow with the current value of \$ 12.8 million with over 5100 members.

The NSS was established to assist Nauruan's in planning and being involved in determining their level of retirement income they can expect to receive on retirement from the workforce.

The governance structure of Nauru Super is as follows: Regulator – New Zealand Financial Markets Authority, Supervisor/Trustee – Public Trust (Public Trust is a NZ Government Department which acts as the corporate trustee).

The Fund Administrator is Super Life NZ with Eriksen's Global acting as investment advisors to the Board of Nauru Super and benchmark the investments.

This is contribution fund with a contribution level from employers of 5% and employees of 5%.

The sole investment option is a balanced fund with the objective of CPI +4% per annum. This will be reviewed once the fund reaches the \$ 20 million investment level.

The fund is growing at a level of \$ 2.6+ million per year (contributions and returns on investments).

Employees can also make voluntary contributions which are accessible every two year with a minimum withdrawal of these specific funds of a minimum of \$ 500.00 thus offering an attractive return alternative to a bank account savings plan for Nauruan's.

A member can withdraw their contribution investment on the later of reaching age 55 or ceasing employment. There is also early withdrawal if a member suffers total and permanent disablement.

PARLIAMENTARY PENSION FUND (PPF)

The Parliamentary Pension Scheme Act comes under the supervision and compliance of the Nauru Superannuation Scheme within the Department for Finance.

The pension fund is administered by Super Life (NZ) with the fund investment manager and actuary being Eriksen Global.

There have been recent amendments to the Act to ensure the payments to its members cover all the retired parliamentarians at a current level of payments to sustain their retirement. The inclusion of the pre 2008 members and those living overseas are now included.

Currently there are 20 ex-members with retirement entitlements based on time served and the level of entitlements considering the various positions held as per the Act and amendments.

Six of these members are currently holding positions in the GON or its SOEs and as per the Act their entitlements are suspended until they retire.

The current fortnightly payment for the remaining 14 members from the Fund is \$ 18,396 or \$ 478,296 per annum.

This is a defined benefit Fund with funding annually from the GON budget with this year contribution of \$ 1.22 million.

The current fund value which is invested to produce market returns after this year's contribution will be \$ 4.2 million.

It is the intention for the GON to continue to contribute as per the actuary recommendations to enable the fund to be self-funding by 2027.

COMMEMORATIVE COINS (WORLD COINS)

Nauru recommenced issuing commemorative coins in 2017. Since the reinstatement of the arrangement, Nauru has issued over 50 new coins. The seigniorage generated is based on sales of the various coins worldwide to coin collectors.

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

NAURU FUEL SUPPLY (SATO)

The Department for Finance manages the Supply and Tank Farm Operations (SATO) agreement for the supply of fuels for Nauru. They are supported by H & T (NZ) who are a specialised fuel consulting firm operating across the Pacific.

This arrangement ensure that Nauru fuel supply is supplied at the highest quality at the lowest pricing based on global market pricing.

The SATO agreement was retendered under the fuel tender committee chaired by the Secretary for Finance in 2021. This was to test the market and it resulted in a 6 cents per litre decrease in delivery costs which is \$ 1.5 million per year savings.

The Nauru Tank Farm is undergoing a long-term engineering upgrade process which includes the recertification of all storage tanks. To fast track, a master plan has been approved for the next 5 years and the management of the process is now with a specialised engineering group PnP (NZ). This is funded by a mix of levies and Budget support.

With COVID the work on the upgrade work ceased since 2020 but is now scheduled to recommence in the next few months since restrictions on travel have eased.

The June closure of the northern cantilever due to structural issues and the continuing delays in the Port construction for fuel discharges will result in the discharge of fuel by a secondary floating hose. This is a higher risk of spill and both NMPA and Vital are working closely together to ensure the fuel deliveries can continue safely until the Port is operational for fuel.

The world fuel prices remain volatile due to the conflict in Europe. This set to continue with prices in Nauru no exception. Department for Finance adjusted the duty on fuel to buffer the price increases the last shipment.

Department for Finance will continue to monitor the supply and pricing under the SATO agreement.

NAURU PORT CONSTRUCTION PROJECT

The Government of Nauru is committed to building a sea port for Nauru to ensure sustainable and climate resilient connectivity for the people of Nauru. Grant funding is from GCF, Australia and ADB

with Nauru meeting all costs above these funds (A\$ 80 million). The Department for Finance has been closely involved in the project from establishment and funding in conjunction with ADB. The Secretary for Finance chairs the PSC and various members of the Department are members.

The construction activities of the new port have been hampered due to many reasons, including the contractor's poor site management, coronavirus pandemic related travel restrictions, supply chain and equipment issues. This continues to push back the completion dates for an operational wharf (MS1), fuel pipeline MS2) and full completion of all work.

Finance and NMPA negotiated a Variation to the CHEC Agreement in late 2021 which place penalties for MS1 and MS2. These each allow charging the contractor up to \$ 500,000 in extra monthly handling expenses for ship after the dates. This is in play from May for the cargo ship and September for the fuel ship.

The poor condition of the mooring system and now loss of the cantilever use for fuel discharge has place huge pressure on completion of an operational wharf as early as possible. A failure of the mooring now would jeprodise both food/water and fuel for Nauru.

The dredging to the maximum depth (11 meters) is deemed an issue for CHEC and GON

is assessing options to subcontract this work. High level meetings have been held with the ADB ED recently to look at these options and of funding of the additional costs.



FINANCIAL PERFORMANCE BY DIVISION

Finance Department 2021-22 Revenue Collection compared to Whole of Government.

Description	2020-21 Preliminary Actual \$	2021-22 Approved Budget \$	2021-22 Supp Bills \$	2021-22 Revised Budget \$	2021-22 YTD Actual \$	2021-22 Actual as % of Budget %	2021-22 Remaining Budget \$
11 - Finance Secretariat	761	2,000	-	2,000	3,500	175% -	1,500
12 - Finance -Public Debt	-	16,245,600	17,154,242	33,399,842	16,459,209	49%	16,940,633
15 - Nauru Revenue Office	66,942,631	34,730,000	22,390,000	57,120,000	58,391,647	102% -	1,271,647
16 - Finance - Other Payments	25,368,927	16,000,351	-	16,000,351	12,793,397	80%	3,206,954
17 - Nauru Customs Office (NCO)	19,581,724	16,514,175	2,584,852	19,099,027	21,008,457	110% -	1,909,430
	111,894,042	83,492,126	42,129,094	125,621,220	108,656,209	516%	16,965,011
Total for GoN	265,918,662	244,123,361	94,150,942	338,274,303	320,348,009	95%	17,926,294
Department as a percent of Total	42%	34%	45%	37%	34%		95%

Finance Department 2021-22 Expenditure compared to Whole of Government.

Description	2020-21 Preliminary Actual \$	2021-22 Approved Budget \$	2021-22 Supp Bills \$	2021-22 ISHT \$	2021-22 Revised Budget \$	2021-22 Actual \$	2021-22 Actual as % of Budget %	2021-22 Remaining Budget \$
11 - Finance Secretariat	2,073,886	2,547,512	524,734	-	3,072,246	2,557,824	83%	514,423
12 - Finance -Public Debt	13,191,700	20,226,213	-	-	20,226,213	-	0%	20,226,213
13 - Bureau of Statistics	91,184	214,629	-	-	214,629	153,637	72%	60,992
15 - Nauru Revenue Office	407,601	505,279	-	-	505,279	443,158	88%	62,122
16 - Finance - Other Payments	114,657,442	72,563,171	34,587,382	-	107,150,553	96,940,040	90%	10,210,513
17 - Nauru Customs Office (NCO)	766,884	947,948	235,600	-	1,183,548	1,108,974	94%	74,574
Total for Department	131,188,698	97,004,753	35,347,716	-	132,352,469	101,203,632	76%	31,148,837
Total for GoN	279,837,164	244,023,361	93,954,487	0	337,977,848	297,198,609	88%	40,779,239
Department as a percent of Total	47%	40%	38%	0%	39%	34%		76%

TREASURY DIVISION

STRATEGIC OVERVIEW

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

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

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

Treasury's vision is:

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

This is supported by Treasury's mission:

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

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



KEY OBJECTIVES AND ACTIVITIES FOR 2021-22

In 2021-22, Treasury successfully complete the following key activities:

- Finalized and published the 2018-19 Annual Financial Statements
- Developed and implemented the GON Budget and supplementary appropriations
- Processed whole of government financial transactions
- Maintained a safe and secure Financial Management Information System,
- Completion of the PEFA Assessment using Gender Mainstreaming Indicators by PFTAC
- Capacity and Training Development for Junior and middle officers, and

Progressed public financial management reform, including publishing regular financial reports, improving the quality of financial information, State Owned Enterprises (SOE) reform and addressing Government debt.

KEY ACHIEVEMENTS IN 2021-22

Key achievements for Treasury in 2021-22 included the following.

- 2021-22 Budget executed consistent with Government priorities and policy settings
- 2022-23 Budget passed in Parliament on 3 June 2022 (budget strategy, budget meetings etc) consistent with fiscal responsibility ratios and the medium-term expenditure strategy
- Four supplementary budgets delivered and implemented
- 2018-19 financial statements prepared, audited and published.
- 2022-23 Macro Fiscal Model Developed for Nauru Medium Term Projections
- Quarterly budget performance reports produced and published on GON website
- IMF financial surveillance were undertaken through virtual interactions
- Internal Audit was outsourced to Stanton's International. Audit undertaken by the Firm during the year includes FMIS Review, Treasury operating account and reconciliation
- Completed the Policy Actions associated with USD 5 million ADB Grant. Key policy actions completed relates to Fiscal Debt Management and Social Protection Strategy requirement of the Policy Based Grant
- Completed the 5-year Medium Term Debt Management Strategies (2023-28)
- Finalised Debt Borrowing Manual
- 10-year Social Protection Development Strategy in Collaboration with ADB
- ADB Country Programming mission completed successfully, leading to additional US\$15 million for the Port Project
- Treasury also supported the COVID-19 response ensuring the timely establishment of COVID-19 funding arrangements and streamlining of procurement and payments processes. In 2021-22, COVID-19 expenditure was \$9.3 million, or 3.2 per cent of total expenditure.



Objective 1: Developed and implemented the GON Budget and supplementary appropriations

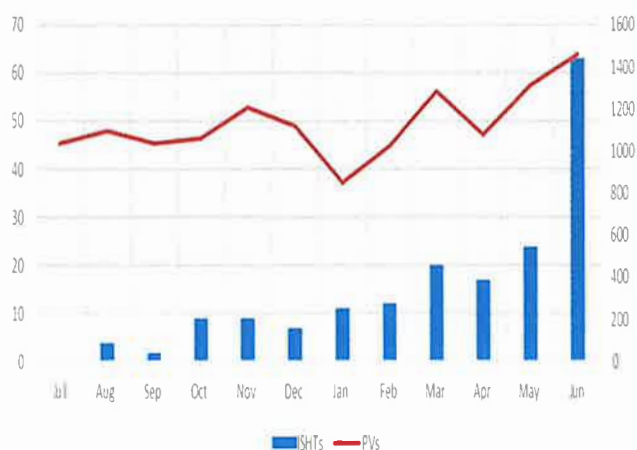
- 2021-22 Budget delivered (budget strategy, circular and briefing templates, FMIS budget module preparation and configuration, budget meetings, budget table consolidation and reporting cabinet briefing, Budget Speech and Budget Paper No 1 and Budget Paper No 2) consistent with fiscal responsibility ratios and the medium-term expenditure strategy
- 2021-22 Budget executed consistent with Government priorities and settings, including:
 - Four supplementary budgets developed and implemented to reflect the extension to the RPC contract agreements
 - 244 Inter Sub-Head Transfer (ISHT) submissions processed and loaded into the FMIS, an average of five a week (see chart and table). 47 % of total ISHTs were processed in the final quarter of the year, with a value of \$23.8 million, and
- Four quarterly budget performance reports produced and published on GON website.

Objective 2: Processed whole of government financial transactions

- In 2021-22, a total of 178 ISHT proposals were approved by the Cabinet with a total value of \$30 million and accounted for 9 per cent of total budget expenditure in 2021-22. The ISHT process includes assessment of ISHT submissions from department.

2021-22	ISHTs No	Purchase Vouchers	
		Number	Daily Av
Jul	0	1039	52
Aug	4	1093	55
Sep	2	1035	52
Oct	9	1061	53
Nov	9	1204	60
Dec	7	1120	56
Jan	11	850	43
Feb	12	1028	51
Mar	20	1281	64
Apr	17	1081	54
May	24	1311	66
Jun	63	1461	73
	178	13564	
Monthly average	15	1130	
Weekly average	4	283	
Daily average		71	

2021-22 ISHT and PV monthly volume



- Manage whole of Government centralised payment system. With the increasing budget every year, there has been an increasing number of requisition transaction relative to number of staff. A total of 13,564 payments were processed in the FMIS for the year, average of 1130 per month or 283 per week.
- Apart from direct requisitions in the FMIS, Treasury manage oversight of 7 overseas missions and two statutory authority (NRPCC) payment posting including respective acquittal and bank account reconciliations.
- Revenue – monitor invoicing process for major revenue collecting agencies such as MCA, Fisheries and Transport as well as posting of collected revenue by NRO including follow-ups of unposted revenue during end of quarter

- Debt settlement – undertook settlement of Bank of Nauru debt to customers totalling \$5.8m and leaving 70% of accounts verified closed. Coordinated with NPRT on the 10% capital redistribution payouts to individual account holders – manage distribution of \$11.5m of the \$12.06m allocated provision leading to reduction in NPRT debt to \$17
- Bank and Cash account reconciliation consistently undertaken on monthly basis for key government accounts.

Reconciliations are performed for all 14 major bank accounts as follows – Treasury bank accounts (x1), Donor Bank accounts (x3), Cash Buffer accounts (x4), Registrar Trust Account (x1), GoN Reserve Account maintained by NRO (x1), NRO Imprest account (x1), Treasury USD Account (x1), Special Purpose accounts (x2). Monthly reconciliations of Donor bank accounts and



- Successful closure of the WoG 2021-22 accounts (circular on closing of accounts process and guidelines for key processes, monitoring of spending to budget, prioritisation of expenditure and cash flow management, deactivation of users accounts on reaching of payment deadlines, FMIS processes including roll-over of accounts, end of year cash accounts at NRO and Bendigo with the assistance of the Auditor General's Offices, setup of 2022-23 new year charts and ledgers and loading of budget, re-assignment of users profiles)
- 2018-19 financial statements approved by Cabinet and published, and 2019-20 Financial statements submitted to Auditor General; and
- Treasury Fund cash management, including building up cash reserves and managing the Government's liquidity position. Weekly cash balance monitoring, the establishment of cash management plan and build-up of the fiscal cash buffer, consistent with IMF recommendations.

Objective 3: Maintained a safe and secure Financial Management Information System

- Strengthen the back-up of servers, UPS and off-site access for FMIS to ensure minimal downtime. This has improved the availability and reliability of the FMIS throughout the year.
- Very minimal downtime occurrences during the year relates to application issues thanks to improved server infrastructure but where such issues arise, troubleshooting takes around 3-4 hours max.
- The only challenge to improved is the Government Network Infrastructure managed by ICT department were all department are connected to the FMIS.
- Daily, Weekly and Monthly managing and monitoring of the server infrastructure and the FMIS Application and Database.
- Acquisition of additional licenses for the FMIS Modules:

- 15 additional concurrent licenses for Supply chain to cater for the growing number of FMIS users across Government. Nauru was only licensed for 15 concurrent users when the FMIS was first implemented but with the establishment of new departments over the years, this is quickly reaching capacity hence resulting in delayed payments processes
- Five concurrent licenses for the Grants Module, a new solution that will automate and improve the tracking and monitoring of projects ensuring that ODA is spent in a timely way consistent with the requirements of each funding agreement.
- Human Resources and Payroll have a total licenses of 1350 Employees that allow future developments on eRecruitment, Organisation Management and Employee Self Services, and
- Roll-out of a standalone FMIS for the Office of the Parliament Services still in progress pending User testing (UAT) and population of data into FMIS to kick start the transition.



- Continuous FMIS improvement to enhance user experience, improve reporting capabilities and ensure minimum internal controls safeguards are met – (i) set up of Minister for Finance workflow process to ensure a full paperless approval process and therefore reducing PV approval turnaround time, (ii) roll-out of link files to all departments to ease mass pay-outs such as overtime, rent, allowances, salaries etc., (iii) roll-out of FMIS to departments outside of the ICT blue cable reach through ICT established VPN connection for example Department of Infrastructure, (iv) introduction of the new NSDS sector reporting to allow PAD track performance by sector and NSDS goals.
- Work remotely was successfully carried out during surge in COVID19 in the island at the end of financial year. Further test runs to be undertaken on the remaining processes relating to Invoice matching, Pay Runs and Pay finalization.

Supported improved data availability and security for colleagues by establishing a shared drive for Planning and Aid Division (PAD), and file server for NRO that shared drive for Tax and Non- tax information for Nauru Revenue Office operations.

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

- Completed the PEFA review that includes Gender Assessment and review of PFM Plan. PFTAC will progress findings of review and a PFM reform roadmap to be developed and implemented by Treasury

- Ongoing virtual review of the Government Expenditure Natural Chart of Accounts to be consistent with GFS classification. PFTAC to provide TA in new year to strengthen COA framework
- Commenced discussion with IMF/PFTAC on the GFS Chart of Accounts Mapping Project. This involves mapping the existing chart of accounts to their corresponding GFS classifications and also to COFOG classifications on the Government's FMIS.
- Financial Instructions on Liabilities, Government Borrowing Manual and BON Verification report were completed.
- The Government Debt status was completed, and a report published in the 2022-22 Budget book. A Medium-Term Strategy was developed to guide the Government in all future financial undertakings.
- SOE reform program in progress with 6 of the 11 SOEs completed code of conduct requirements which includes Board Charter, Statement of Corporate Intent and Quarterly reports.
- Government continues to provide allocation for Community Service Obligation to support SOE reform and alleviate cost of living pressures for Nauruan's
- Department of Finance website updated with budget and quarterly reports to improve the transparency and availability of Government reporting, and
- Internal audit function outsourced to Stanton's International and key deliverable for 2021-22 were completed successfully. The Finance, Audit and Risk Committee meets regularly as per schedule.



Also, during the year, Treasury advertise all key positions as per the new organisational structure approved in the preceding year.

PUBLIC ENTERPRISE AND MONITORING UNIT (PEMU)

- PEMU's Annual Work Plan has been established. This will set out PEMU's roadmap for the FY 22/23 to help keep track of things and what has been accomplished. It will also be very useful when identifying areas of improvement for next year's Annual Work Plan.
- The Board Charter ensures that PE's meet the code of conduct requirements of the Public Enterprise Act. Out of the 11 operational PE's, 6 have completed their Charter while 5 have submitted a draft.
- Three Summary Reports have been produced by PEMU for FY20/21, that is for Nauru Airline, Ports Authority and Naoero Post. These are to be tabled in Parliament by the Accountable Minister then published on the Department of Finance Website.

- The PEMU section of the Department of Finance Website has undergone a huge update within the last few months. This will also be where all PE Summary Reports will be uploaded for anyone to access and view.
- Five PE's have submitted their draft SCI 22/23 while Eigigu Holdings Corporations will be working with PEMU to complete their first ever Statement of Corporate Intent (SCI) draft. The number of SCI submissions has increased from 21/22. The goal in the future is to ensure all PE's can prepare an SCI.
- Later through the FY 22/23, PEMU must obtain Half Year and Annual Report for comparison with their SCI in order for PEMU to complete their Summary Reports at the end of the FY.
- Community Service Obligations(CSO) Agreement and SOE funding policy has been drafted. This aims to improve public accountability and reporting with regards to PE's requesting subsidies.

FINANCIAL MANAGEMENT INFORMATION SYSTEM

Treasury is the 'owner' of the whole of Government Financial Management Information System (FMIS) supplied by TechOne. Treasury provides access to this system for whole of government, and it is through FMIS workflow that Treasury approves expenditure and recognises revenue for GON.

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

- Total Active FMIS users – 222
- Budget Officer and Timesheet Admin Profiles – 103
- Purchasing Officer HoD Profiles – 32
- Human Resources and Payroll Admin Profiles – 9
- PAD Profiles – 17
- Nauru Revenue Officer Profiles – 12
- Treasury Assessor and Approver Profiles- 26
- Budget Administrator Profiles- 5
- System Administrators Profiles - 4



Treasury also provides training for new/current FMIS users. Over the reporting period, the following training was delivered.

- Induction training for new FMIS users especially the Account Payable users – Budget officers from departments.
- Training for all departments on FMIS and the Budget during Budget preparation round, and
- One on one training after changes to the FMIS functions configuration such as Grants, HRP and Financials module.

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

FMIS Functionality

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

MAJOR CHALLENGES AND ISSUES

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

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

NEXT STEPS

For 2022-23 Treasury will continue to support the Government of Nauru to deliver on its objectives through the development, delivery and execution of the budget and supplementary appropriations. Treasury will continue to pursue PFM reform and resolve legacy performance and reporting issues. It will also progress a policy-based grant with the ADB with a focus on debt management, SOE reform, as well as financial and asset management.

Sector	Deliverables	2022-23 Target
Econ Goal 1: A Stable macroeconomic environment conducive to private investment established	Economic Growth	2.3%
	Government Debt	<50%
	Improve performance of SOE	Return on Equity (ROE) and Return on Assets (ROA) improves to 5%
	Contribution to Nauru Intergenerational Trust Fund	Nauru's contribution to the NITF is 10.1% of adjusted revenue
Stable and secure financial information systems	Stability and security of FMIS and shared drives	100%
	FMIS functionality and coverage	100%
	FMIS maintenance and availability	100%
	Disaster recovery	100% -plan developed and backed up enhanced
Public Financial Management	PFM Roadmap 2022-2027 Developed	100% Complete with PFTAC Support
	Budget Implementation and Programs fully Gender sensitive	100%
	Strengthen commitment controls and payment systems	100% accuracy and timeliness

Debt Management	2021-22 Annual Financial statement is published	100% compliant
	Procurement Framework Developed	Draft Framework for Consultation is completed
	Effective debt and risks management	No defaults
	Reduction in BON and NPRT claims	As per budget requirements
	Compliance with MTDS Framework	100% compliant

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

Treasury was the beneficiary of the following technical assistance during 2021-22.

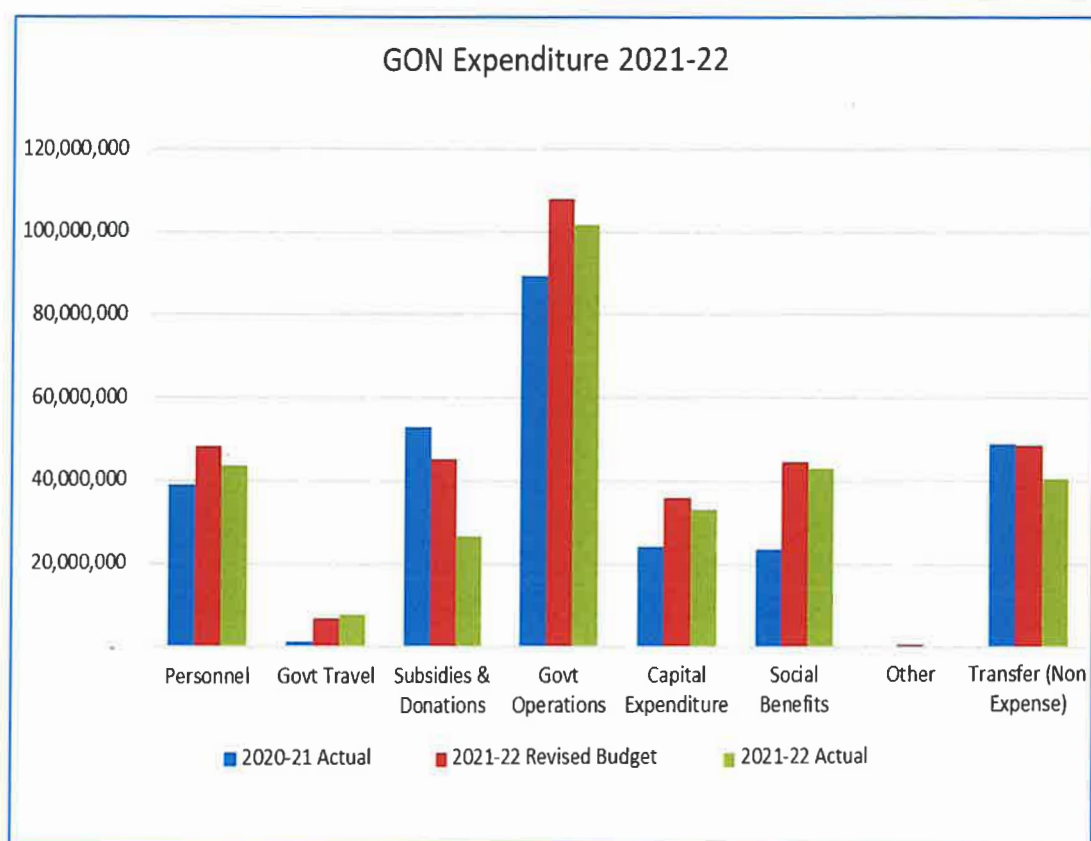
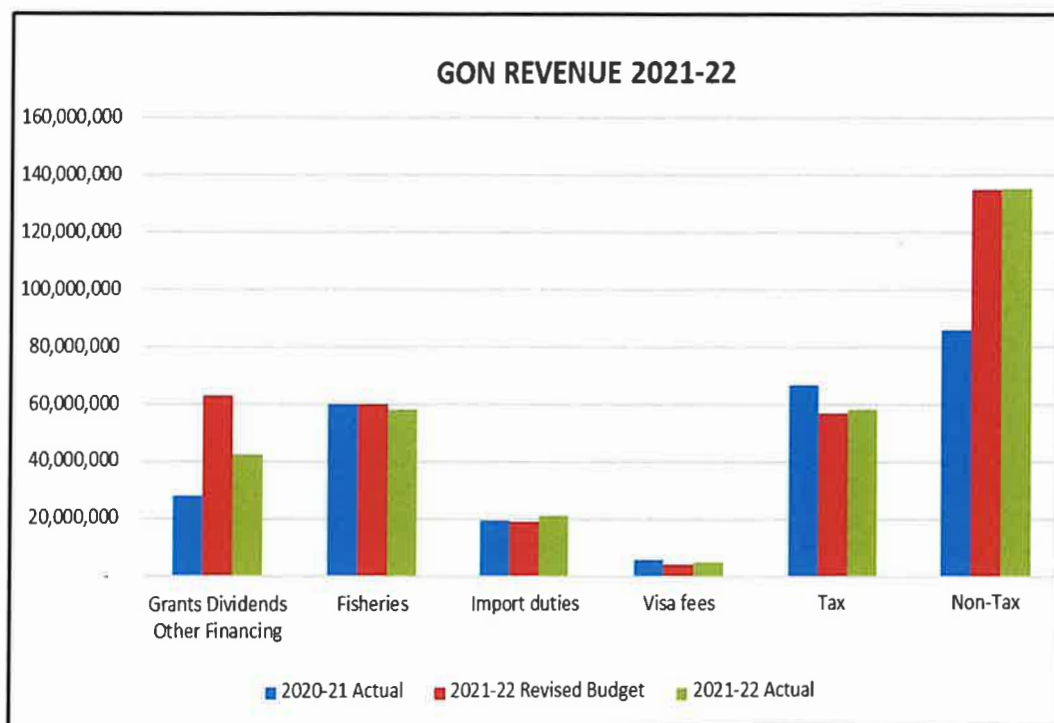
- BPAC –Sandy Botrall was engaged as the new Accounting Advisor in February 2022.
- BPAC – Michael Wyatt contract was extended to June 2022 as Accounting Advisor.
- BPAC – Isikeli Vocedua as Deputy Secretary Treasury

TRAINING

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

Course	Provider	Mode	Date	Attendees
2022 FMIS Module Upgrade	Techonology One	Virtual	Monthly	A.Baleimatuku Tuamelie
SOE Governance Workshop	ADB	Virtual	May 22	A.Itsimaera S. Tebouwa
PFTAC Steering Committee	PFTAC	Face to Face	June 22	A.Itsimaera
One on One training with Parliament Officers on financial processes and procedures relating to the new Parliamentary Office – training covered payments, payroll and super, cash flow forecasting, quarterly acquittal process	Treasury - CA	Face to Face	Mar 2022, various dates	Parliament Finance Manager, Clerk, Manager Human Resources

GOVERNMENT OF NAURU BUDGET PERFORMANCE



GENDER DISTRIBUTION - TREASURY			
	Males	Females	Total
Secretary	0	1	1

BPAC ADVISORS	3	1	4
Directors	3	1	4
Staffing	1	8	9

SOCIAL WELFARE DIVISION

STRATEGIC OVERVIEW

Social Welfare Division was established in 2020 to provide advice to Government on social welfare priorities and policy options.

The Division is responsible for the strategy, policies and procedures related to the social welfare of Nauruan citizens, and the effective and efficient management and disbursement of social welfare payments, including managing budget and fiscal risks related to social welfare expenditure, to ensure value for money is achieved.

The Division also manages the social welfare database, undertakes research and analysis into social welfare related issues, and provides regular reporting on social welfare related matters.

The Government of Nauru has approved the National Social Protection Strategy which will be implemented by the Department of Finance through the Social Welfare Protection Division

NSDS development priority

- Stable, trustworthy, fiscally responsible government

NSDS Goals

- Econ Goal 1: A stable macroeconomic environment conducive to private investment established
- Cross-Goal 2: Strengthen and develop the institutional capacity of the Nauru public service
- Social-Goal 4: A cultural socio-inclusive, cohesive and self-reliant community with sustainable livelihoods.

VISION, MISSION & VALUES

The Social Welfare Division is guided by the National Social Protection Strategy 2022- 23, “the long-term vision for social protection in Nauru seeks to establish a gender-responsive and socially inclusive social protection system that ensures relevance, efficiency, effectiveness, and financial sustainability of all existing and potential future social protection programmes to protect the population from poverty and deprivation and reduce persistently high inequality in the country”

The overarching goal is to ensure that all people of Nauru are protected from poverty and deprivation and have equal opportunity to build their human capabilities to further their own social and economic development.

Long term principles guiding our objectives and visions;

- Protection from poverty and deprivation
- A lifecycle approach
- Empowerment of vulnerable groups and equity
- Transformational social protection
- Shock-responsiveness and resilience
- Needs-based and evidence-based measures
- Good governance

ACTIVITIES

Continue to implement and ensure control and integrity of the Social welfare policies which include;

- Aged Pension
- Disability Pension
- Birth Claims
- Death Claims
- Back to School Assistance
- Superannuation
- Bank of Nauru liquidation repayments.

KEY ACHIEVEMENTS

- Since its establishment, Social Welfare have paid out \$0.5 million for the NEAT scheme program and \$1.4 million in total in back-to-school payments since 2019.
- The government has increased disability and aged pensions from \$250 to \$265 on a fortnightly basis, ensuring the vulnerable have the support they need to live with dignity.
- The average annual Pension and Disability budget allocation for the last 3 years is around \$3.5 million.
- This government has also introduced overseas funeral assistance to support people whose relatives pass away while overseas and the division is responsible for disbursing Governments financial assistance.

MAJOR CHALLENGES AND ISSUES

- The need for increased technical assistance and recruit qualified and experienced staff as we move towards implementing the ambitious 10-year Social Protection Strategy plan.

- There is a need to restructure our organisation to address the technical and administrative needs of the office.

NEXT STEPS

- The Social Welfare division will continue to manage the day-to-day operations aligned to its annual operational plan and prioritise seeking the assistance of donors for TA to assist with implementation of Social Welfare Protection Strategy.
- We have engaged a qualified local staff Director who will assist staff and Deputy Secretary in addressing current gaps and challenges.

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

- ADB funded program to draft and produce Nauru's first Social Protection Strategy.

TRAINING

- Mrs. Lisa Deiye attended The Seventh Session of the Committee on Social Development
- LLP 14 English
- LLP15 English



PLANNING AND AID DIVISION (PAD)



STRATEGIC OVERVIEW

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

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

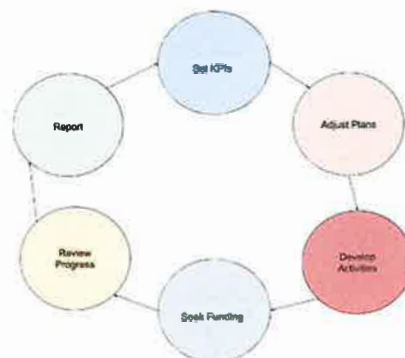
KEY ACTIVITIES FOR 2021-22

- Oversight of the National Sustainable Development Strategy (NSDS) implementation through sectoral and agency plans
- Support the formulation of sector strategies and AOPs
- Prepare and submit Development Fund Report (6 monthly) to Cabinet for tabling to Parliament
- Primary coordinator of Official Development Assistance to Nauru
- Custodian of development funds, and
- Facilitate implementation of ODA-supported activities



KEY OBJECTIVES FOR 2021-22

- Measurable progress toward achievement of the National Vision and goals, attributable to effective, efficient and coordinated use of internal and external resources
- Clear, timebound and actionable sector strategies are adopted by line agencies
- Policy makers and leaders are better informed with respect to development planning, prioritization and decision-making



- Development funds used in a timely, effective and accountable manner; and managed in compliance with legislative and partner agreement requirements and good practice, and
- ODA activities are consistently delivered to the expectations of all partners

KEY ACHIEVEMENTS IN 2021-22

- Approval of the NSDS Key Performance Indicators, which will be used for tracking and monitoring progress towards the NSDS goals
- Reform of the Nauru Development and Planning Committee to focus on NSDS monitoring and donor harmonisation. The committee, now known as the NSDS Committee, meets quarterly, and is chaired by the Minister, Finance, or his delegate.
- High-level consultations held with the United Nations regarding bilateral programming
- Support for three ADB missions to Nauru
- Monthly meetings with Australian DFAT and Republic of China (Taiwan) representatives to manage and progress bilateral assistance
- Facilitated donor support requests for COVID-19 related financial assistance, including for the Acute Ward at RON Hospital. Support to secure an ambulance through Japan's ESDP funding was finalised.
- Negotiated extended assistance to the Australian DFAT Education program, in anticipation of new arrangements coming into place when the re-designed Education program is implemented.



- As the executing agency for the Port Project, facilitated an additional \$15m grant for the project, to support relocation and COVID-19-related costs.
- Participated in ADB Solar Project Steering Committee meetings



- Supported the commencement of the Australia-Nauru-US-Kiribati-Japan cable project and the AIFFP Airport Runway resurfacing projects. PAD's role includes reviewing contractual documentation, participating in steering committee meetings and managing financial administration.
- Assisted departments seek technical support from donors
- Participated in IMF Article IV discussions
- Trialled a donor NPP process which sought donor funded NPP requests ahead of Government of Nauru budget rounds. This enabled donors to confirm support, giving Ministers a clear understanding of the projects requiring Government of Nauru funding. The approach was successful and will be incorporated into future budget processes.
- Assisted Treasury with NPP reviews and participation in Budget Rounds 1 and 2, providing advice on Annual Operating Plans and NPPs, and
- Prepared the first Development Fund Half year report under the revised Development Fund reporting arrangements approved by Parliament in 2021.



MAJOR CHALLENGES AND ISSUES

The key challenge for PAD is the recruitment and retention of staff with the necessary experience, skills and qualifications to support the work of the team. The team values higher education and supports officers continuing their studies, however, the impact of long-term absences is considerable.

Following on from Ministerial decisions made in the budget sessions for FY 21-22, the Commerce Division of the Department Commerce, Industry and Environment was transferred to Planning and Aid Division. Three positions were transferred, with two positions vacant. Recruiting to vacant positions and securing technical assistance to meet NSDS goals for the Division will be a priority.

NEXT STEPS

FOR THE NEXT FINANCIAL YEAR, PAD WILL FOCUS ON:

- Embedding the NSDS KPI monitoring and reporting system
- Building strategic connections between donors and government of Nauru stakeholders to meet development requirements, and
- Recruitment to fill vacancies.

TECHNICAL ASSISTANCE RECEIVED

PAD continues to receive the support of an advisor under the Building Pacific Capacity Program, funded by Australian DFAT.

TRAINING

In 2021, Branessa Tsiode returned from studying for a Graduate Diploma Governance, University of South Pacific – Social Sector Planner. Shortly after her return, Branessa left to assume the role of First Secretary to the UN Mission in New York.

Anadella Edward returned from a secondment to the UN Mission in New York, as First Secretary, and has taken up a Director role in the Department of Climate Change and National Resilience.

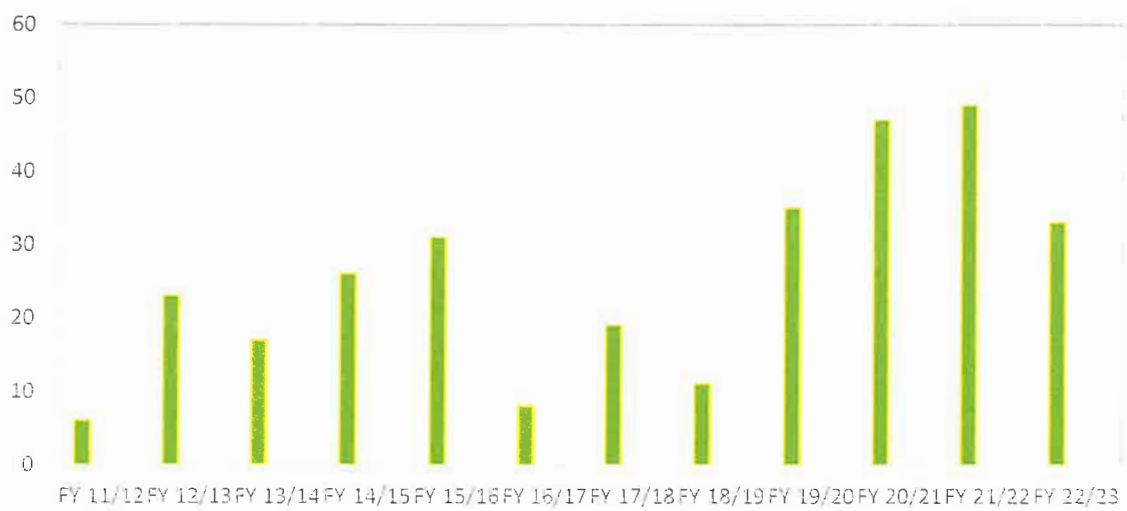


Liluv Itsimaera remains on secondment with a major development project as the Assistant Project Manager – Ports Development Project.

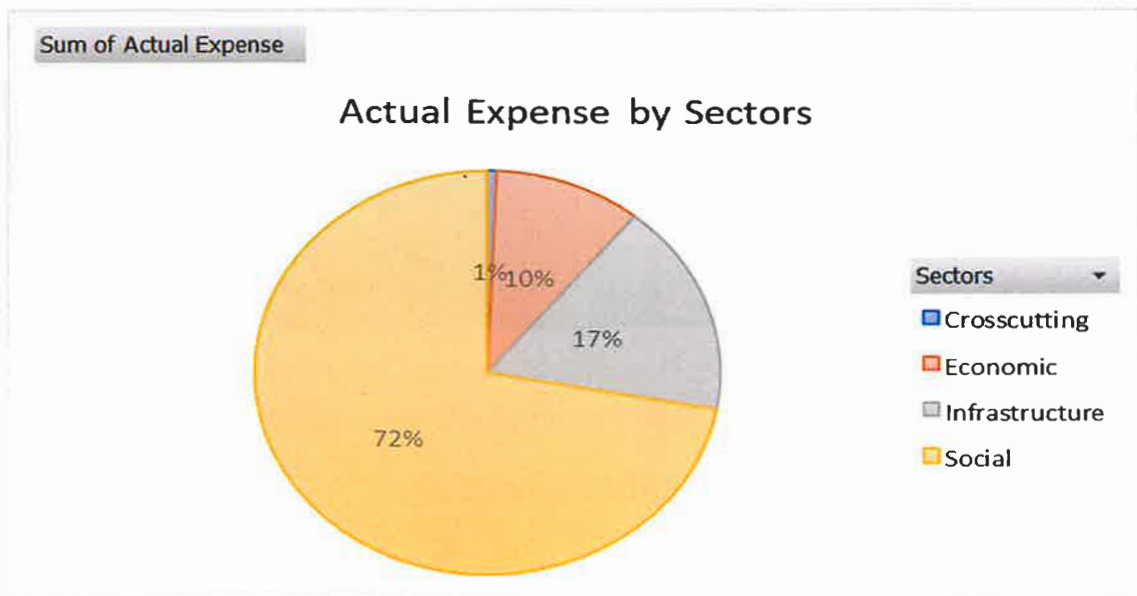


KEY STATISTICS

Number of AOPs submitted

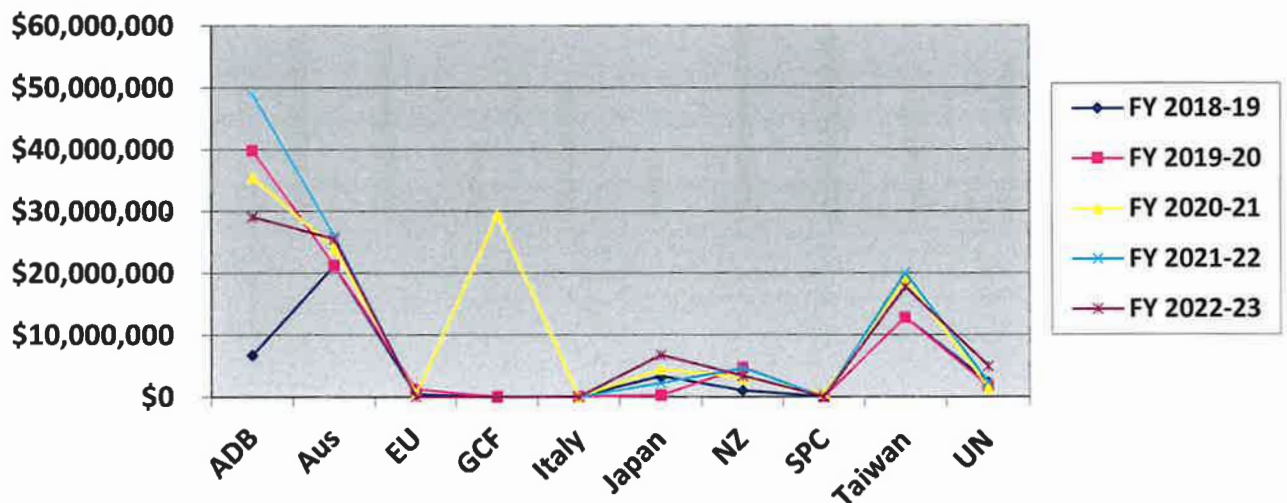


Revenue by Donor (\$M) - FY 21-22



NSDS Sector Expense Breakdown – FY21-22

DONOR SUPPORT FY 2018-19 TO FY 2022-23



NAURU BUREAU OF STATISTICS

STRATEGIC OVERVIEW

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

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

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

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

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

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

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

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

KEY OBJECTIVES AND ACTIVITIES FOR 2021-22

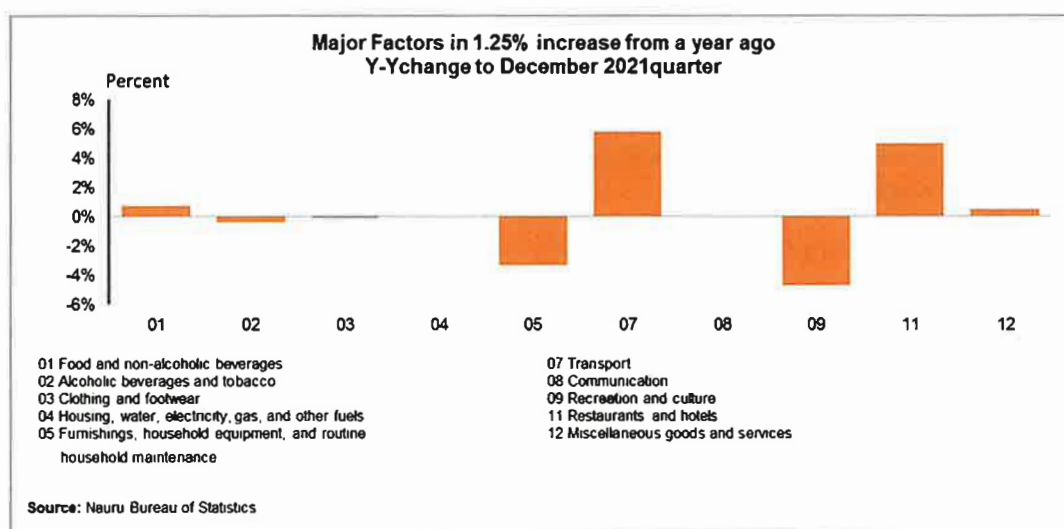
The key objectives for the statistics office relate to implement its core functions including:

- **2021 Nauru Population and Household Census – Major Census**
- **Support TA mission for IMF Article IV**
- **Trade IMTS and CPI Pricing statistics**
- **Propose engagement of Statistics Advisor**

KEY ACHIEVEMENTS IN 2021-22

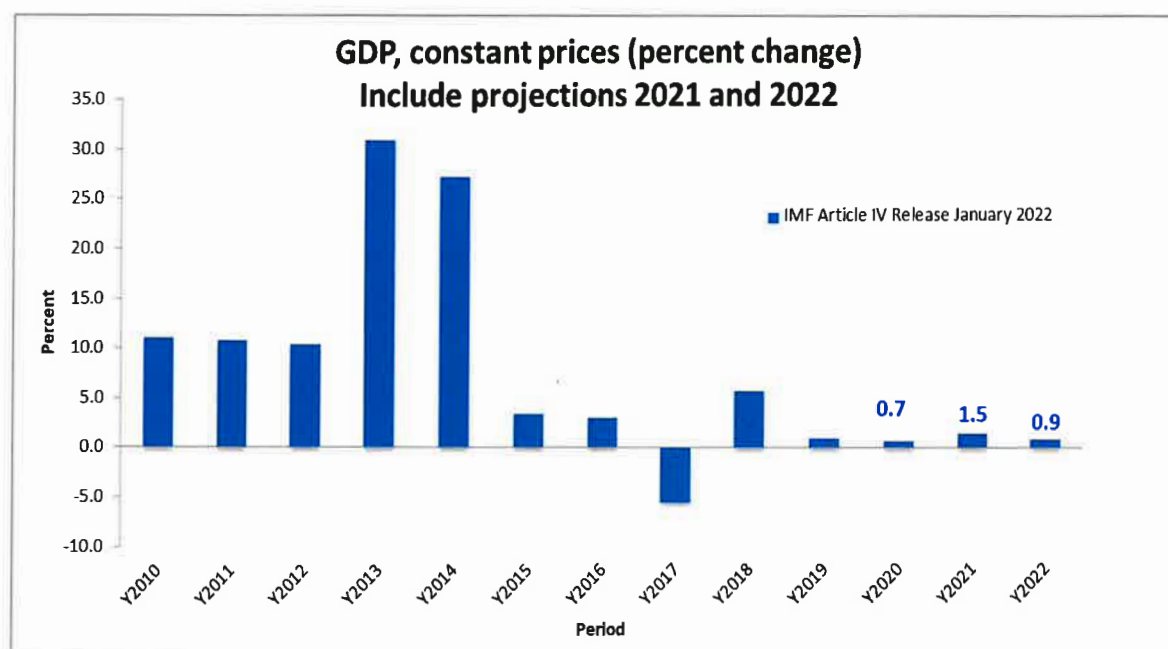
- **2021 Nauru Population and Household Census – Major Census**
 - 1) Temporary recruitment for Census Coordinator, Supervisors, Enumerators
 - 2) Training session for Census fieldworkers, week1 at Multicultural Conference room and week 2 at the USP Campus conference room including catering for morning tea and lunch.
 - **Census background introduction**
 - **Fieldwork guidelines**

- Questionnaire guidelines
- Use of the Tablet system
- Use of GPS system
- 3) Census Launch with the presence of the new Australian High Commissioner to Nauru, and the Secretary for Finance, Venue at the Orro Centennial Hall
- 4) Census main fieldwork was scheduled for 3 weeks, and a few continues to complete by week 6 due to the large growing population of within the respective enumeration areas.
- 5) Acknowledging the oldest person in each respective districts by handing out Census labelled items such as each umbrella, cap, carry-bag, car bumper sticker and a Eigigu Supermarket \$200 worth shopping voucher.
- 6) Acknowledging the two Census babies happened to be born on the Census special date, 30th October 2021. The responsible parents were handed out the Census labelled items such as each umbrella, cap, carry-bag, car bumper sticker and a major cash gift of \$500 each.
- **Compile up to date figures for vital statistics**
 - Year 2021 January to December
 - Number of Births, Birth Rate (Fertility rate)
 - Number of Deaths, Death Rate (Mortality rate)
 - Sources from the Government Gazettes BDM Registers
- **CPI quarterly report** - Maintain compilations and timely releases
 - Consumer price index (CPI) survey Calendar Year 2021



- **Update fuel watch prices**
 - Collect fuel cost per litre on quarterly basis FY2021-22 and calculate average
 - Capture all registered businesses for Petrol and Diesel bowsers
- **Balance of Payment (BOP) Technical Assessment reporting mission by the IMF**
 - Virtual mode – November 2021
 - Report on the External Sector Statistics Mission
 - Sources are Budget papers from Government and SOEs
- **National Accounts - GDP Technical Assessment reporting mission from the PFTAC**
 - Updating preliminary GDP figures for FY2019-FY2020 – in draft
 - Sources are Budget papers from Government and SOEs

- **Update of international merchandise trade statistics (IMTS)** using mirror data sources from main trading partners
 - Imports and Exports for FY2020-2021



ON-GOING COMMITMENTS YET TO BE ACHIEVED

- **Nauru Strategy for the Development of Statistics 2019-2023**
 - Draft ongoing and the document may go through review again and update relevant adjustments including the extending beyond the five year period.
- **Multiple Indicator Cluster Survey (MICS) 2020 (proposed for 2022)**
 - Deferred to suitable time due to COVID19 travel restrictions for the UNICEF survey expert team unable to travel to Nauru
- **Household Income and Expenditure Survey (HIES) 2023**
 - Discussions are planning to conduct HIES in 2023. The Asian Development Bank (ADB) wishes to provide Technical Support.
 - The Nauru Government will provide Financial Support for the preparation of HIES such as public awareness activities.
- **Engagement of the Economic Statistics Adviser**
 - Terms of Reference and Job Description
 - Advertisement

MAJOR CHALLENGES AND ISSUES

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

- Timely access to accurate records and evidence to support statistical collections, including willingness to share information
- Unavailability of staff with the right skills continues to be an issue especially assisting the Technical Missions for PFTAC/IMF to prepare the Article IV reporting updates.
- Training and experience to collect and analyse data, which as constrained the frequency and quality of statistical collections and reporting

- Covid-19 travel restrictions have impacted on the ability to collect and analysis statistics due to consultants not being able to visit Nauru to undertake surveys etc

NEXT STEPS

In 2022-23 the NBS will continue to adapt its work practices to the new Covid-19 environment especially attending virtual online meetings as well as the engagement of the Economic Statistics Adviser. The 2022-2023 financial year will be expecting the 2021 Nauru Census full analysis report to be published and continue to conduct other committed surveys. Key initiatives for the year include:



- **2021 Nauru Population Census**
 - Release preliminary tables – July to September 2022
 - Factsheets – December 2022
 - Publication of the full analysis report in December 2022
- **2022 Multiple Indicator Cluster Survey** (date to be advised)
 - Review MICS Workplan
 - Recruitment of Coordinator
 - Conduct public awareness
 - Draw the sampling frame based on the 2021 Nauru Population Census
 - Review MICS questionnaire design
 - Recruitment of MICS Survey Team of total 12 members
 - Supervisors x2
 - Field Interviewers x6
 - Measurers x2
 - Drivers x2
 - Data Collection will be using portable tablet system
 - Data Processing/ Data Analysis/ Data Dissemination
- **2023 Household income and expenditure survey** – Preparatory work
- **Assist GDP/ BOP data collection** for Technical mission team from the IMF/ PFTAC
- **Compile, collate, analyse, publish and disseminate**
 - economic (CPI, international merchandise trade statistics, national accounts and balance of payments) and
 - social (vital statistics, student enrolments, labour force and demography) statistics.

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

Activities	Technical Agencies
Vital Statistics	ESCAP, SPC, ABS
2021 Nauru Population and Housing Census – Major Census	Statistics-SPC
Balance of Payments	IMF
International Merchandise Trade Statistics (IMTS)	Statistics-SPC
Multiple Indicator Cluster Survey (MICS)	UNICEF
Household Income and Expenditure Survey (HIES)	Statistics-SPC
Systems of National Accounts (SNA)	ADB

TRAINING

Workshop Training	Date	Venue	Host
Online Training of Major Census - Enumerators	18-30 th Oct 2021	Nauru/ SPC	NBS/ SPC
Balance of Payments (Virtual) IMF Article IV mission	11 Nov 2022	Nauru/ USA	IMF
Online Systems of National Accounts (SNA) Part1	29-30 Mar 2022	Nauru/ Manila	ADB
Online Systems of National Accounts (SNA) Part2	26-28 Mar 2022	Nauru/ Manila	ADB
University of the South Pacific (USP) x2 Trainee Officers	Semester1 Mar-Jul 2022	Nauru Campus	NauruGov

KEY STATISTICS

SOCIAL STATISTICS	INDICATORS	LATEST YEAR/ SOURCE
Total Population	11,928	2022 SPC projections
Male Population	6,037	2022 SPC Projections
Female Population	5,891	2022 SPC Projections
Annual Growth Rate (%)	0.81	2022 SPC Projections
Median Age	21	2022 SPC Projections
Children aged under 14 (%)	38	2022 SPC Projections
Youth aged 15-24 (%)	18	2022 SPC Projections
Elderly aged 60+ (%)	5	2022 SPC Projections
Life expectancy at Birth – Male	57.9	2015-2017 NBS
Life expectancy at Birth – Female	61.2	2015-2017 NBS
Total fertility rate	3.9	2015-2017 NBS
Teenage fertility rate (15-19)	92.3	2015-2017 NBS
Infant Mortality Rate (IMR)	25.4	2015-2017 NBS
Crude Birth Rate (CBR) per 1,000 population	30.9	2015-2017 NBS
Crude Death Rate (CDR) per 1,000 population	8.6	2015-2017 NBS
ECONOMIC STATISTICS	INDICATORS	LATEST YEAR/ SOURCE
GDP AT Constant Price (% Change) projections	0.9	IMF Article IV Release 2022 JANUARY
CPI annual (% change)	1.25	Dec 2020 to Dec 2021
Value Of Imports (AUD\$) million	74.8	2021 Comtrade.com - mirror data
Value Of Exports (AUD\$) million	23.7	2021 Comtrade.com - mirror data
Balance Of Trade (AUD\$) million	-82.5	2021 Comtrade.com - mirror data
Imports From Australia (AUD\$) million	50.4	2021 Comtrade.com - mirror data
Imports From Fiji (AUD\$) million	6.0	2021 Comtrade.com - mirror data
Imports From NZ (AUD\$) million	2.2	2021 Comtrade.com - mirror data
Exports to Asia Region (AUD\$)	3.5	2018 Partner Countries - mirror data
Exports To Oceania (AUD\$) million	3.3	2018 Partner Countries - mirror data
Exports To Other Region (AUD\$) million	4.9	2018 Partner Countries - mirror data
Labour Force Participation rate (%)	65.3	2021 Nauru Population Census (Provisional)
Employment-population ratio (%)	61.3	2021 Nauru Population Census (Provisional)
Unemployment-rate (%)	7.5	2021 Nauru Population Census (Provisional)

RON Government employees (%)	42.6	NBS FY2021-22
NRPCC/ Eigigu Solution employees (%)	28.9	NBS FY2021-22
RONPHOS employees (%)	8.8	NBS FY2021-22
Eigigu Holdings employees (%)	7.7	NBS FY2021-22
Nauru Rehab (NRC) employees (%)	3.4	NBS FY2021-22
Nauru Airlines employees (%)	2.8	NBS FY2021-22
Nauru Utilities (NUC) employees (%)	5.9	NBS FY2021-22

2021 CENSUS OLDEST PERSON OF EWA



2021 CENSUS OLDEST PERSON OF NIBOK



2021 CENSUS TIKTOK WINNERS



2021 CENSUS BABY – 30TH OCTOBER 2021



2021 CENSUS ADUBUG BWIEM



2021 CENSUS EMAGURIT EBE QUILT



2021 Nauru Census Total population by district and sex

	Sex		
	Total	Female	Male
District			
1-Yaren	803	403	400
2-Boe	844	428	416
3-Aiwo	1,264	605	659
4-Buada	969	479	490
5-Denigomodu	348	177	171
6-Nibok	724	356	368
7-Uaboe	341	167	174
8-Baitsi	523	264	259
9-Ewa	537	277	260
10-Anetan	795	387	408
11-Anabar	565	281	284
12-Ijuw	276	140	136
13-Anibare	373	190	183
14-Meneng	1,802	885	917
15-Location	1,526	751	775
Total	11,690	5,790	5,900

NAURU REVENUE OFFICE (NRO)

STRATEGIC OVERVIEW

The Nauru Revenue Office (NRO) strives to deliver on the goals of the National Sustainable Development Strategy and identifies under: -

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

The NRO is made up of four separate divisions:

- Revenue Division
- Design and Monitoring Division
- Taxpayer Services Division and
- Compliance Division.

Together, these Divisions administer the tax laws, the Gaming Act, Superannuation Act compliance activities, price control regulations compliance activities as well as issuing driver licences. Revenue Division also administers the Customs 30-day account process which enables the timely release of imports subject to payment of the customs duties within stipulated timeframes.

The Nauru Revenue Office is also responsible for ensuring that Nauru remains compliant with all international commitments under the OECD Standards, the European Union Code of Conduct (Business Tax) Group and numerous international monetary organisations such as the International Monetary Fund, Asian Development Bank and World Bank.

Nauru was ranked as “largely compliant” as an outcome of the OECD Global Forum “Fast Track Review” in 2019, and has strived successfully to maintain that status through diligent oversight and application of required interventions. The most significant of these was the amendment, during the year, of the Nauru tax legislation to bring it into line with accepted international norms.

MISSION

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

VISION

The NRO’s vision is to become a highly professional organization, trusted by the community to equitably raise revenue to support the development of Nauru and its people.

OBJECTIVES

- NRO is established to manage the cashiering role of government in respect of all cash receipts and disbursements. NRO also administers the gaming and taxation legislation, as well as superannuation legislation compliance. NRO also issues driver licences and undertakes price control regulation compliance checks.
- The NRO commits to carry out these functions by providing high quality service, honesty, transparency, integrity and equity for all clients.
- NRO strives to carry out all its functions in accordance with its Annual Operational Plan, and to have staff properly trained, equipped and committed to capably undertake required activities.



INNOVATIONS

Customer Focus –

- The Nauru Revenue Office has operated a customer service desk during the full year. Customers can make personal enquiries regarding taxation matters, lodgment of tax forms and payments. The Revenue Office is also open five days every week to receive cash payments and also to dispense GON cash payments which are not processed through the Bendigo Agency internet banking facility.
- Revenue Office staff are on call to dispense cash to the Bendigo Agency to top-up ATMs, and to pay out funeral benefits etc. after hours and seven days per week. This will assist Nauruans in having ready access to their funds whenever required.
- A dedicated mail box has been established which enables taxpayers to make enquiries and submit lodgment of tax returns via email. This initiative reduces the cost of compliance for taxpayers and assists them with more easily meeting their obligations under the tax laws.

Public Awareness Programs –

Record-Keeping Initiative

- As part of the NRO's Compliance Improvement Program for 2021-22 the second phase of the community engagement program was completed. This program reviewed the record keeping standard of small business taxpayers (SBT) because of the perceived low levels of compliance of these taxpayers.
- This exercise consisted of targeted visits to those taxpayers who were judged to have a poor standard of record keeping under phase 1. These 2nd phase visits disclosed that 25% of those taxpayers had still not raised their level of record keeping to the required standard. These taxpayers have been put on notice that they will be prosecuted if under a third and final visit their standard of record keeping has not reached the required standard.

The key outcomes of the project to date are as follows:

- Record keeping reviews to 48% of all small business traders.
- Quarterly payments by all SBT taxpayers have risen by 38% since project commencement.
- Prosecutions are pending in respect of 25% of these small business taxpayers.

These successful outcomes demonstrate the benefits to be gained by working closely with taxpayers to increase their quality of record keeping and therefore level of compliance with the tax laws.

Price Control Initiative

- Following disruptions to the food supply chain earlier in the FY, there were several instances reported in social media of a sharp increase in the price of a number of staple food items, following which the NRO (with the assistance of the Nauru Police Force) immediately commenced an initiative aimed at the prevention of price gouging and profiteering by unscrupulous retailers during the period of food supply shortages.
- NRO Taxpayer Services and Compliance officers working with the NPF commenced on 5 August a series of high-profile visits to retailers around the island under the initiative. These

visits continued throughout August and ensured the fair pricing of all goods during this time until some normality returned to the island on 26 August with the arrival into port of the first cargo ship.

- The proactive work of the NRO and the NPF in quickly establishing a system of checks and balances for food pricing on the island during the COVID 19 emergency is considered a high-profile success. The early warnings given to large and small retailers achieved its purpose of preventing any profiteering and price gauging during this time.
- Additional price control compliance activities were undertaken in June 2022 following the outbreak of COVID which resulted in some unscrupulous business operators engaging in profiteering and price gouging activities. Working closely with the Nauru Police Force, visits were conducted to approximately 60 business operators who were put on notice that engaging in such activities would result in prosecution and deportation. A Facebook page was established together with a “hotline” to report profiteering/price gouging activities so that NRO could move quickly on these traders. Full compliance with the price control regulations was swiftly re-established.

CORE ACTIVITIES & PROGRESS

Budget Contribution – Revenue Collections and Estimates

- Original 2021/2022 budgeted revenue in respect of tax revenues was estimated at \$34.60M, plus \$0.13M in respect of “other revenue” from driver license and gaming license fees, based on the understanding that RPC operations would wind down. Due to COVID-19, gaming activities have been restricted, whilst the level of personnel activity in respect of the Regional Processing Centre and associated activities has remained reasonably consistent. Accordingly, tax related revenues were re-visited with total revised Budget estimates struck at \$57.12M.
- Total 2021/2022 fiscal year collections amounted to \$58.27M, as broken up below.
 - TST: \$2.66M (revised budget estimate \$2.65M)
 - EST: \$15.44M (revised budget estimate \$16.92M)
 - BPT: \$39.84M (revised budget estimate \$37.42M)
 - Other: \$00.33M (revised budget estimate \$00.13M)
 - Total \$58.27M (budget estimate \$57.12M)

OECD / EU Compliance

- Nauru continues to be held in high regard by the OECD Secretariat for the substantial progress made in respect of legislative reforms over a short period of time and remained, during the reporting period, to be seen as a compliant member of the global tax community. During the reporting period updates were provided as required to the OECD Global Forum, and provided substantial data in respect of activities associated with Nauru’s commitment to the fight against fraud, corruption, tax evasion, money laundering and terrorist financing.
- Regular reviews have been undertaken by the OECD Secretariat during the period in respect of Exchange Of Information and Automatic Exchange Of Information, with relevant

information and data provided. Consequently, Nauru has maintained compliance with EOI performance requirements and confidentiality requirements. This review process continues as an ongoing requirement of Nauru's membership of the OECD Global Forum.

- Considerable work has also been done during the period in respect of complying with standards set by the EU "Code of Conduct Group (Business Taxation)". Amendments to the Revenue Administration Act, 2014 and the Business Tax Act, 2016, are in place to ensure that Nauru is not classified as operating a "preferential foreign income exemption regime".
- NRO continued to implement actions and activities required to avoid Nauru's inclusion on a listing of non-cooperative tax jurisdictions. This type of compliance improvement is on-going as both the EU and OECD continually introduce, improve and update international compliance requirements of global tax jurisdictions.

Compliance Initiatives

During this reporting period several initiatives were undertaken to improve compliance with the taxation and superannuation and price control legislative requirements as follows:

Taxation

- Extensive taxpayer profiling continued during the year in a matching exercise between the Active Corporations Register at the Justice Department and the NRO Master Tax Identification Index on all corporations active in Nauru. This initiative to strengthen the integrity of the NRO's data base of large companies was part of the Compliance Improvement plan for 2021-22.
- Small Business Taxpayer (SBT) record keeping reviews were undertaken during the year under a project commenced in 2020-21 to increase compliance in the sector. This initiative under Phase I and II resulted in a 38% net revenue increase in SBT Quarterly instalments since the project commenced.
- Three large business audits were completed during the year that resulted in additional tax and penalty receipts of \$ \$2,072,865. One large business audit still in progress as at 30 June 2022 and is expected to result in additional tax and penalty of \$300,000.

Price Control

- Extensive price control checks were undertaken in August 2021 during the period of food shortages on the island caused by the refusal of entry of the cargo ship MV Papa Mauu with a suspected Covid crew to ensure that retailers were not engaging in price gouging and profiteering during the crisis. In addition, fuel price control checks continued during the year in support of the six gazetted Fuel Price Control Orders issued in 2021-22. On each occasion, taxation compliance officers delivered copies of the orders to each of the nine fuel retailers and explained the requirements of the law. A follow up visit was then undertaken to ensure that operators were complying with the orders.
- During the more recent COVID period Nauru Revenue Office re-acted pro-actively with visits to approximately 60 business operators to "read the riot act" to businesses to ensure that

profiteering and price gouging activities were not in place. The threat of prosecution and potential deportation swiftly brought any recalcitrant business operators into line.

Customs

- Nauru Revenue Office continued to work closely with Customs and Justice and Border Control. Sharing of intelligence has allowed NRO to follow up and ensure that all businesses in Nauru with a liability to tax are properly registered with a Tax Identification Number, and that returns are being lodged and taxes paid as required.
- Customs import data is critical in determining liability to tax in the “cash economy”, and this intelligence sharing exercise will be greatly enhanced with the imminent introduction of Custom’s new ASYCUDA World trade IT system.



CHALLENGES AND ISSUES

- Continuing challenges were experienced in recruiting sufficiently qualified and experienced staff to work in the administration of the taxation laws.
- During the year the Nauru Revenue Office hosted officers engaged under the Student Internship Program which has greatly assisted in achieving operational requirements.
- COVID-19 pandemic issues have impacted operations during the year, but measures were implemented to mitigate any revenue administration challenges. The PACTAM sponsored Deputy Secretary Revenue has provided management and operational support remotely with no adverse impact on deliverables. Revenue collections during the financial year totaled \$58.27M, against estimates of \$57.12M

CAPACITY BUILDING AND TRAINING

- Staff continued during the year to be trained in both technical and operational aspects of tax administration. This capacity building and development has been undertaken through a mix of on-the-job training, mentoring and formal workshops delivered either face-to-face or remotely.
- A total of twenty-three tax administration and tax technical training sessions were conducted during the 2021-22 fiscal year as follows:

Course Content	On-Site Workshop	Virtual Course	No of Staff Days
International tax – OECD - Pillar 1 & 2		2	6

Revenue Mobilisation/compliance	3	9	55
Anti-money laundering- Asia-Pacific Group		5	12
Technical/new foreign income measures	1		9
Digitisation		1	4
Price Control measures	1		7
Customs & Asycuda introduction	1		2
Total	6	17	95

Seventeen courses were conducted remotely, predominantly by the Pacific Island Tax Administration Association (PITAA), OECD, ADB & the Asia Pacific Group (APG). All staff are encouraged and assisted in applying for externally available, relevant training opportunities in addition to those training activities conducted on site.

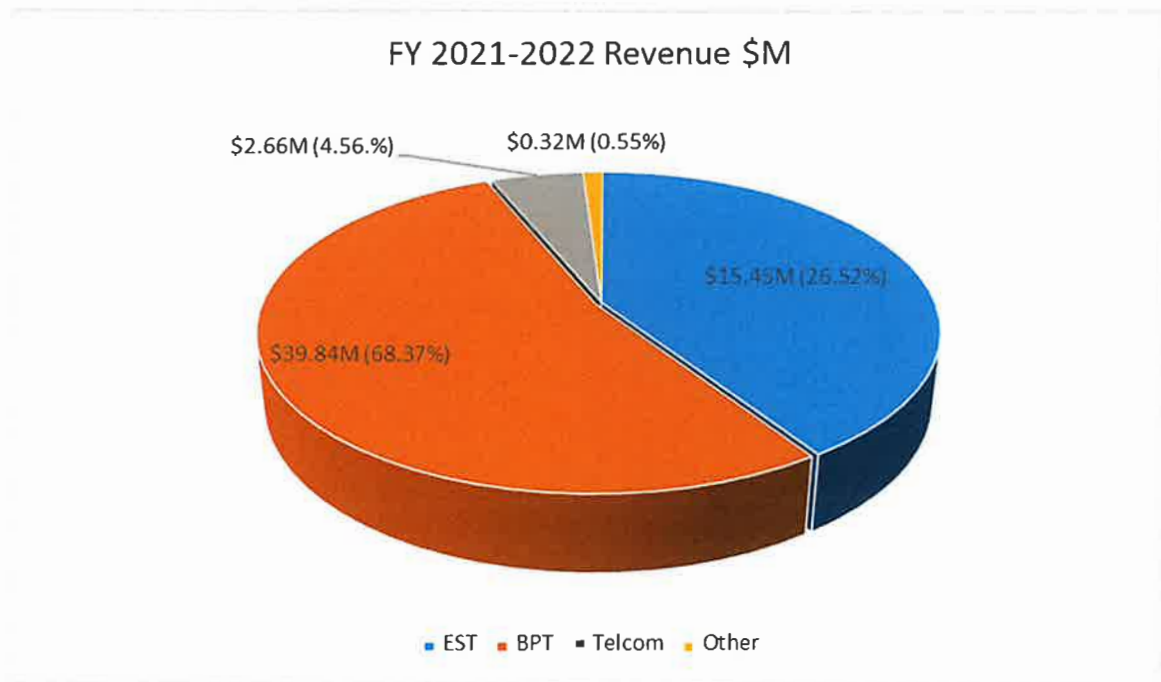
FUTURE PLANS

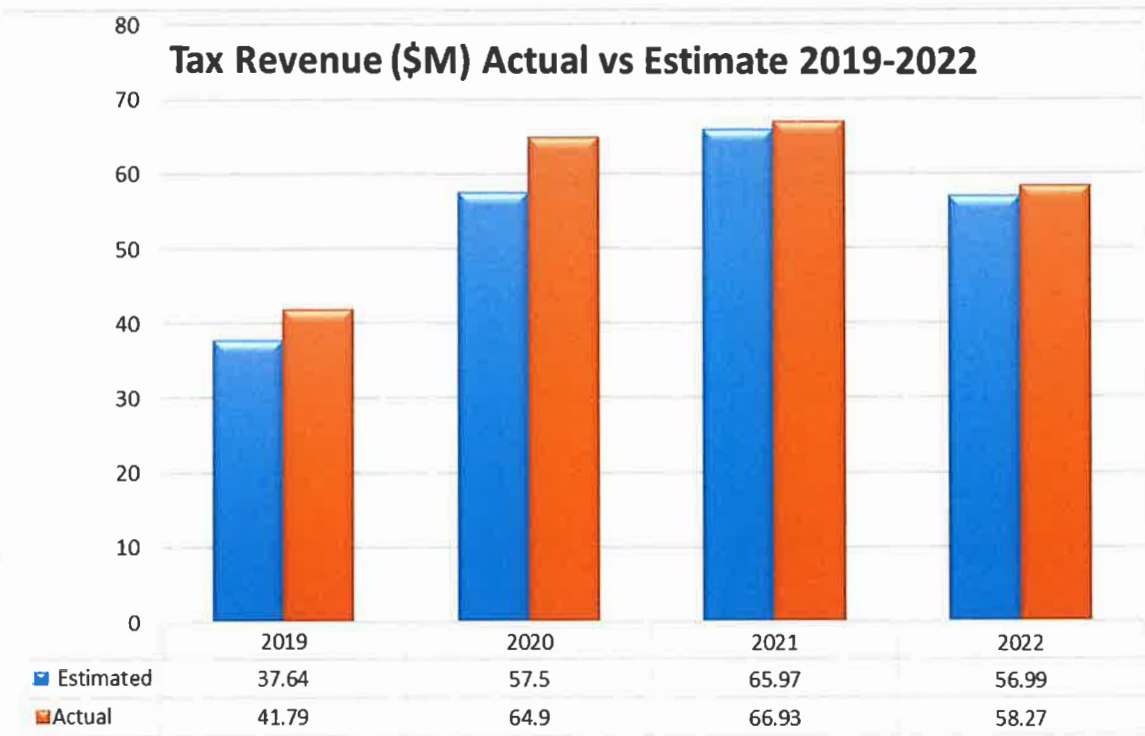
Outcomes	Key Activities and Projects	FY2022-23	Deliverable/Output
<i>A robust system of tax administration will be in place, with the required legal framework and efficient systems and processes.</i>	Regularly review taxation legislative framework and update as necessary	100%	Nauru will remain compliant with international requirements.
	Undertake taxpayer education activities	90%	Taxpayers will be informed and aware of their taxation responsibilities.
	Provide access to all taxpayer related legislation, information, forms etc via website	100%	NRO website will be regularly updated, with all current tax related information and forms available on-line.
	Develop an accurate and up to date taxpayer database	90%	Register will record accurate and reliable information on all non-resident resident businesses liable to taxation.
	Process tax assessments on a timely basis	95%	All Large Business Annual Returns will be processed within one week of filing.

<p><i>NRO will generate sufficient revenues to contribute to funding annual budget.</i></p> <p><i>NRO staff will be skilled in administration of relevant revenue legislation.</i></p>	Monitor and improve on-time filing and payment process	90%	Real time monitoring will ensure large business taxpayers meet due dates for filing and payment for both tax types (i.e. BPT and EST).
	Implement an updated Compliance Improvement Strategy	100%	Comprehensive Compliance Improvement program based on risk now in place across both Large and Small Taxpayer segments will ensure maximum compliance with tax laws.
	Continued engagement with OECD Global Forum and EU on Nauru tax system	100%	Regular reviews/surveys completed, and information provided on time as required
	Prepare AOP, and report bi-annually on progress	100%	Annual Operating Plans, Progress Reports and associated reports prepared and submitted on time
	Prepare annual revenue and expenditure estimates for inclusion in the national budget	100%	Revenue estimates submitted to Treasury on time.
	Prepare revised annual revenue and expenditure estimates for inclusion in supplementary budgets	100%	Revised revenue estimates based on trending collections data submitted to Treasury on time.
	In-house training of staff in tax administration and the interpretation and application of taxation laws will be undertaken	100%	Staff participation in workshops will build capacity and skills to administer tax laws.
	Staff will attend international training on tax administration where available	100%	All relevant remote international training workshops will be accessed as they become available.

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KEY STATISTICS





NAURU CUSTOMS SERVICE

STRATEGIC OVERVIEW

The core functions of the Nauru Customs Service involve three (3) major elements, all related to international trade in goods: the fiscal element (assessment of the right revenues owing to government); the economic element (implementation and oversight of certain government economic policies); and the protection and security element (safeguard of citizens; health and protection of society from transborder criminal activity).

Nauru Customs has embarked on a journey of transformational change, one aimed towards strengthening its capabilities to better respond to the changed realities of Customs administration. The organisation recognises the need to build a resilient culture and an environment that embody capacitated staff augmented by digital capabilities. The Division has aligned its operations with national goals as identified in the Nauru Sustainable Development Strategy (NSDS) 2019-2030:

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

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

Mission Statement

Our mission is to serve our customers professionally, efficiently and with integrity, through facilitation of legitimate trade and travel, timely and fair assessment of lawful revenues owing to government, and effective border protection. Applying international best practices, we work towards compliance with all Customs-related laws and regulations, in order to ensure the fiscal and socio-economic sustainability of the Republic of Nauru.

Vision Statement

Spirited and committed to being regionally recognised as a reference and model administration, utilising our valued human capital to be a frontrunner in applying Customs best practices and international standards on revenue protection, trade facilitation and border security.

Core Values:

- One Organisation
- Professionalism
- Accountability & Integrity
- Responsive
- Results-focused
- Partnership & Engagement

Strategic Priorities

Srl. No.	Focal Area	Strategic Goal / Objective
1.	Revenue Collection	<ul style="list-style-type: none"> Timely assessment of the correct revenues owing to government and capturing of revenue leakages.
2.	Legal Framework	<ul style="list-style-type: none"> Further strengthen the legal framework to guide and support Customs administrative functioning.
3.	Administration, Processes and Infrastructure	<ul style="list-style-type: none"> Institutional strengthening through establishment of additional functional work areas (Valuation, Risk Management, Post Clearance Audit, and Enforcement). Promotion of a culture of integrity within Customs and identification of measures to combat corruption.
4.	Compliance	<ul style="list-style-type: none"> Implement a twin approach of enforced and informed compliance with Customs and Border Control laws and regulations.
5.	Trade Facilitation	<ul style="list-style-type: none"> Facilitate legitimate trade through establishment and maintenance of an environment that supports the free flow of trade and commerce.
6.	Community Protection	<ul style="list-style-type: none"> Effectively use risk assessment, pre-screening procedures and an improved information base to detect the movement of illicit goods.
7.	Automation	<ul style="list-style-type: none"> Manage the transformation towards a paperless Customs through automation for a robust electronic environment.
8.	Competency Development & Professionalism of the Customs Service	<ul style="list-style-type: none"> Build corporate capabilities (skills and competencies) for operational efficiency and effectiveness. Integrity management across all functional work areas.
9.	Strengthened Partnerships through Stakeholder Engagement	<ul style="list-style-type: none"> Effectively communicate the business and operations of Customs both internally and externally and promote cooperation with stakeholders.
10.	COVID-19 Response	<ul style="list-style-type: none"> Continuously monitor the national COVID-19 response level in readiness to implement appropriate responses and actions outlined in the 'Customs Staged Emergency Response Plan' in the event of any change in local circumstances.

KEY ACHIEVEMENTS IN 2021-22

Key deliverables achieved during 2021-22 include:

- Customs revised revenue targets slightly exceeded.
- Implementation and project management of UNCTAD's web-based Automated System for Customs Data (ASYCUDA) World.
- Institutional strengthening through a reengineering of core business processes.
- Reviewed and updated Customs laws and regulations to accord with international standards and best practices, to allow enforcement of the newly reengineered business processes, as well as to ensure the alignment of provisions therein with other border control laws.
- Ongoing leveraging of available technologies (non-intrusive x-ray scanning equipment) and systems of controls to assist in efforts at enforcement and compliance.
- Facilitation of legitimate trade through ongoing application of risk assessment and risk management techniques.
- Staff competency development through ongoing development of human capital.
- Continued engagement and partnerships with key external stakeholders.

- Ongoing provision of statistical data in response to demands from varied stakeholders.

MAJOR CHALLENGES AND ISSUES

The department continues to face challenges in a few operational areas, including:

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

NEXT STEPS

For the next financial year 2022-23, the department will focus its efforts on the following key areas:

- Business Continuity Planning to better position the organisation to survive serious disruptions to its operations.
- Enhanced revenue collection through:
 - Ongoing rollout of the ASYCUDA World Project
 - Assistance in domestic revenue mobilisation through rollout of the 'Prosperity from Customs Revenues (PROCURE) Project
- Further institutional strengthening through the establishment and staffing of new approved functional work areas to effectively implement the newly reengineered business processes.
- Strengthened Border Security through enhanced application of risk assessment and risk management techniques and ongoing use of non-intrusive x-ray technology (targeted deployment of the Mobile RapiScan Unit).
- Digitisation and movement towards a paperless environment through implementation of a new Document Management System (DMS) for registry and intelligent information management.
- Formal conduct of a 'Time Release Study' to determine accurate baseline measures of core operations.
- Capacity Development by ensuring ongoing development of staff competencies in technical and non-technical areas.
- Customs Professionalisation & Integrity Management through implementation of additional measures to safeguard integrity and to minimise institutionalisation of any corrupt practices.
- Stakeholder Education through ongoing consultation and continuous engagement with the trade community, as appropriate.
- Timely and accurate statistical reporting:
 - Against NSDS Customs performance indicators;
 - Against the Customs Performance Management Framework; and
 - In response to ad hoc requests from stakeholders.

- Gender Mainstreaming and Gender Empowerment - mainstreaming gender into Customs' work programming through further advancement of work on the "Women's Economic Empowerment: Small Business Entrepreneurship" initiative to empower females to own and successfully operate small businesses in import/export trade.

TECHNICAL ASSISTANCE RECEIVED/AID IN KIND

The Customs Service was the beneficiary of technical assistance in the form of one long-term adviser serving in the role of Deputy Secretary. Funding of this position was made available under the 'Building Pacific Capacity' (BPAC) programme. During the reporting period, one long-term adviser serving in the role of Customs IT/Process Associate (international hire) was recruited to assist with the implementation of the ASYCUDA World Project, this position funded through government appropriation.

TRAINING

During the period 2021-22, capacity was developed at both managerial and non-managerial level in areas as follows:

Srl. No.	Name of Officer	Name of Course Undertaken	Place of Training	Sponsoring Agency	Period of Training/Conference	Award upon Completion
1	Dr. Jennifer Clarke	Brand Protection and Product Identification Workshop Series	Online	Oceania Customs Organisation	February 2022 - March 2022	Certificate
2	Dr. Jennifer Clarke	Monitoring, Evaluation, Accountability and Learning (MEAL)	Online	IMA International U.K (self-funded)	4th October - 26th November 2021	Certificate
3	Gianina Harris	Certificate III Program	Online	Oceania Customs Organisation (OCO)	15th February - 29th November 2021	Certificate
4	Gianina Harris	WCO Asia Pacific Sub-Regional Workshop on Data Analytics	Fiji	CCF-Korea and OCO Secretariat	7th June - 9th June 2022	Certificate
5	Delsiana Garoa	Certificate III Program	Online	Oceania Customs Organisation (OCO)	15th February - 29th November 2021	Certificate
6	Delsiana Garoa	Pacific Women's Professional Development Program	Online	Australian Border Force (ABF) / (OCO) / RMIT University	14 February – 11 March 2022	Certificate
7	Alice Tavita	Brand Protection and Product Identification Workshop Series	Online	Oceania Customs Organisation	9th Feb- 16th March 2022	Certificate
8	Alice Tavita	Maritime Border Fundamentals training	Fiji	Oceania Customs Organisation/ABF	9th-20th May 2022	Certificate
9	Yoransom Kresma Cain	Maritime Border Fundamentals training	Fiji	Oceania Customs Organisation/ABF	9th-20th May 2022	Certificate
10	Keddy Deireragea	Brand Protection and Product Identification Workshop Series	Online	Oceania Customs Organisation	9th Feb- 16th March 2022	Certificate
11	Jessen Cain	Brand Protection and Product Identification Workshop Series	Online	Oceania Customs Organisation	9th Feb- 16th March 2022	Certificate

Training covered areas of Monitoring & Evaluation, Border Fundamentals, Leadership Development, Data Analytics and Intellectual Property Rights. As part of the knowledge management (KM) process, soft copies of all materials acquired during training programmes were submitted to the Corporate Services Division for upload to the central repository DMS, once the training for staff is completed in the use of the system.

KEY STATISTICS

Revenue Collection

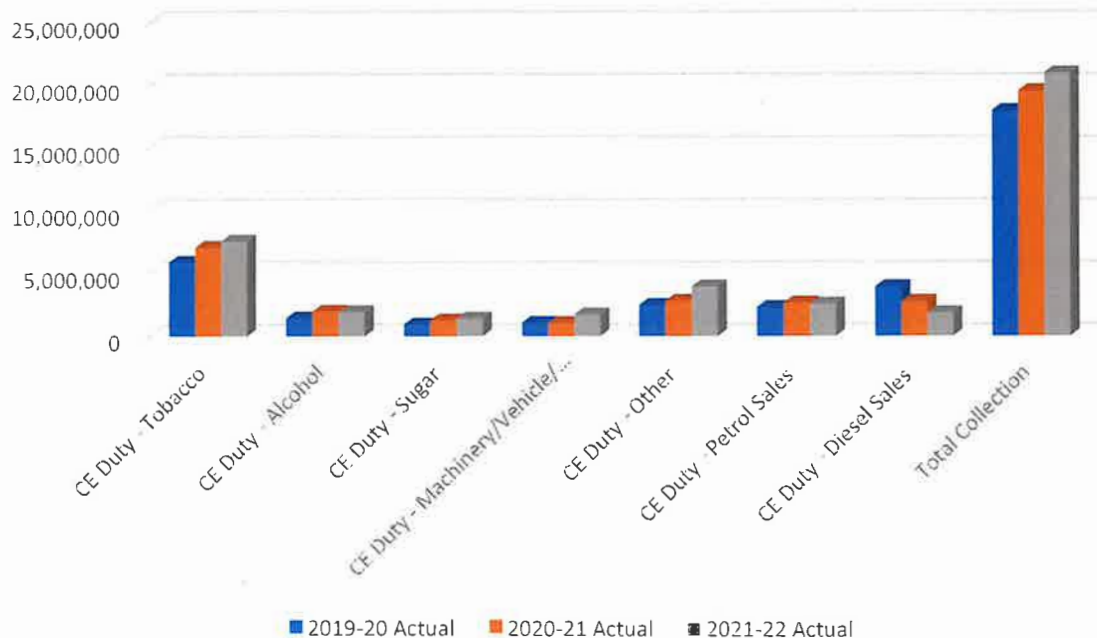
Customs collect on average between 6-8 % of the share of total government revenues. For the FY 2021-22, Customs assessed a total of just over AUD 21m in customs revenues, a surplus of AUD 1.9m (110%), over the targeted initial budget of AUD 16.5m, which was later revised to approximately AUD 19.1m. The table below provides a breakdown of collections under the various natural account codes.

CUSTOMS DUTIES

Description	2020-21 Preliminary Actual \$	2021-22 Approved Budget \$	2021-22 Supp Bills \$	2021-22 Revised Budget \$	2021-22 YTD Actual \$	2021-22 YTD Actual as % of Budget %	2021-22 Remaining Budget \$
1140 - Customs and Excise Duty - Tobacco	7,073,041	5,841,236	855,672	6,696,908	7,577,355	113%	-880,447
1145 - Customs and Excise Duty - Alcohol	1,956,048	2,040,000	-	2,040,000	1,924,643	94%	115,357
1150 - Customs and Excise Duty - Sugar	1,262,619	1,220,394	-	1,220,394	1,400,897	115%	-180,503
1155 - Customs and Excise - Machinery/Vehicle/Equip	1,045,324	830,419	565,345	1,395,764	1,728,352	124%	-332,588
1160 - Customs and Excise Duty - Other	2,813,421	2,538,891	733,232	3,272,123	3,957,190	121%	-685,067
1165 - Customs and Excise Duty - Petrol Sales	2,654,280	2,341,235	430,603	2,771,838	2,563,712	92%	208,126
1170 - Customs and Excise Duty - Diesel Sales	2,775,493	1,700,000	-	1,700,000	1,855,307	109%	-155,307
Total Customs and Excise Duty	19,580,224	16,512,175	2,584,852	19,097,027	21,007,457	110%	- 1,910,430

The following chart provides a graphic illustration of actual collections over the three financial year period 2019-2022 by natural account codes, as well as total revenues collected over the three-year period.

Customs Collections AUD\$



During the reporting period, Customs conceptualised and presented during the Ministerial round of budget negotiations a Project initiative entitled “PROsperity from Customs Revenues (PROCURE)”. The Project, which includes a number of short-, medium- and long-term measures to stem revenue leakages and to establish effective Customs controls, aims to assist government in its efforts at domestic revenue mobilisation given the winding down of the Regional Processing Centre and reductions in revenues from this income stream. Initiatives include the implementation of excise ‘sin’ taxes and charging of user fees; annual payments of import licenses and broker licenses; levying of administrative fines for breach of provisions in the Customs Act 2014; strengthened controls at the border, as well as the conduct of joint operations and joint information sharing with the Nauru Revenue Office (NRO). Customs’ strategy to stem revenue leakages were presented to the IMF during the Article IV Consultation which took place during the reporting year.



ASYCUDA WORLD IMPLEMENTATION

In August 2021, Customs commenced project implementation of UNCTAD’s Automated System for Customs Data (ASYCUDA) World, the industry gold standard for customs data processing. *Ceteris paribus*, ASYCUDA World should serve as a game changer for the administration of Customs in Nauru, its web-based system providing a platform for e-government, opportunities for streamlining of core business processes, better accounting and statistical capabilities, and the Division’s gradual advancement towards a paperless environment. Within the Pacific region, Customs authorities in Fiji, Papua New Guinea, Samoa, Kiribati, Solomon Islands and other countries have cited benefits which include increased revenues, streamlined business processes and trade facilitation.

ASYCUDA World is being implemented by a National Project Team (NPT) of three (3) Customs Officers on secondment for a 24-month period to a National Project Office. The Team comprises a National Project Manager, a Customs Automation/Training Specialist; and a Customs Tariff/Process Specialist. Also recruited as part of the Project team is a Customs/IT Process Associate (international Hire) to assist

with continuity in project implementation. The NPT is being assisted by a team of two (2) UNCTAD experts. Regular weekly meetings are conducted between the NPT and the UNCTAD team of experts with periodic reporting to the Ministry of Finance

Progress Reporting: NPT with Secretary Finance

ASYCUDA World implementation has resulted in several short-term outcomes in the areas of process reengineering, strengthening of the legal framework, as well as internal and stakeholder training and education as outlined below.



Process Reengineering

During the reporting period, the Customs Service completed the task of reengineering a number of the Division's core business processes. The first process reengineered to form part of the new automated system was the Customs Manifest Control Process that provides necessary information about cargo for transport, commercial and regulatory purposes. The Project Team, guided by the team of UNCTAD experts, reviewed and updated the current national manifest capturing process for both ship and airline cargo. Standard Operating procedures were devised for use by both internal (staff) and external (trading community) operators. The Cargo Manifest Module will be officially launched by end of year, 2022. The Division will next proceed to implement the Electronic Single Administrative Document (ESAD) Module to incorporate the latest HS 2022 coding system and to better facilitate timely and accurate assessment of customs duty liabilities.

Strengthening of the Legal Framework

The last FY witnessed extensive amendments to the Customs laws to provide a legal basis for the enforcement of the newly reengineered business procedures. Changes to the legislation included amendments to the Customs Act 2014, Customs Tariff Act 2014 and Customs Tariff Schedule. The reform process included a realignment of the tariff structure and rates in the Tariff Schedule to ensure the proper assessment of customs duties. Updating of the Customs Tariff Act 2014 serves to enable introduction of the 2022 Harmonised System Nomenclature. Amendments to Part 2 of the Tariff Schedule which substitutes tariff numbers with code numbers now facilitate the clearance of all goods under duty concession.

Stakeholder Education and Engagement

In addition to process reengineering and strengthening of the legal framework as part of the ASYCUDA World implementation, consultations were held with stakeholder groups, including the Airline Operator, Nauru Postal Service, Nauru Revenue Office (NRO), Customs Brokers and individual business houses, the rationale being to create awareness and to educate members of the trading community on reforms in the current manifest process. The Project Team held consultations with members of staff of the Customs Service as well as with government departments/agencies, private sector entities, traders and customs brokers. Some business houses have already completed the registration process and been issued with taxpayer identification numbers (TIN #s), a prerequisite to access the new automated data processing system.



NPT Consultation with Nauru Airline Corp.



NPT Consultation with Government officials and Private Sector entities.

Compliance and Enforcement – Societal Protection and Trade Facilitation

Complementing the ongoing application of risk assessment and risk management techniques, Customs continued its deployment of non-intrusive scanning technology, the Mobile RapiScan Unit for targeted inspection and examination of small package consignments. The Mobile Unit was deployed to exam targeted air freight consignments from weekly freighter flights ON400 and ON500, as well as to sea freighted cargos devanned from Nauru Shipping Line voyages. Goods not targeted for Customs inspection were immediately released as part of ongoing efforts at facilitation of legitimate trade and commerce.

Given border closures and travel restrictions during the reporting period consequent to the COVID-19 pandemic, the Customs Service has to date been unable to provide in-depth face-to-face classroom and hand-on practical training in the use of the equipment to a level which would allow staff to exploit its full functionality. With current border re-openings and removal of travel restrictions, the strategy is to invoke provisions under the purchase contract agreement which includes onsite deployment of two (2) technicians to provide classroom and hands-on training to a select number of staff who would serve as operators of the technology. The planned comprehensive hands-on training should result in increased detection of concealed high duty paying goods and reduced revenue leakages, as well as seizures of contraband items (importation of drugs and firearms).



KEY STRATEGIC RISKS AND MITIGATIONS

Customs envisages a few risks to the planned roll-out of its work plan for the FY 2022-23. Key risks and mitigation actions are detailed in the table below.

Srl. No.	Category	Description	Mitigations
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1	Institutional Strengthening	(a) Lack of timeliness in advertising, recruitment and selection of staff to approved positions in the newly approved functional work areas.	(a) Assist in the drafting of job vacancy announcements. Enlist the support of the Secretary, Finance in following through with HR, Office of the Chief Secretary
		(b) Physical resource constraints – lack of sufficient space to house newly recruited staff.	(b) Open discussions with MoF to raise the issue of space constraints and explore options for additional office rental to Customs operations
2.	Business Continuity Planning	Unacceptable levels of down time of the ASYCUDA World System and loss of customs data.	Coordinate with ICT and UNCTAD's Regional Office, Fiji to ensure the existence of an effective system for data backup and data recovery.
3.	Service Delivery	Lack of ownership and buy in from key stakeholders on the need to implement the newly reengineered business processes.	Manage rollout of the Stakeholder Education Programme and periodically assess the programme's effectiveness.

NAURU AGENCY OF BENDIGO BANK

STRATEGIC OVERVIEW

In 2015 Department of Finance established a special project which provided for the establishment and operation of a Nauru **Agency** of Bendigo and Adelaide Bank Limited. This Agency provides access to modern banking services for the benefit of all Nauruans, consistent with the Government's *financial inclusion* objectives. The Agency has successfully served the people of Nauru from the outset, and just celebrated its seventh anniversary in June 2022.

The Agency's vision is:

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

The Agency's mission is:

- With the assistance provided to Nauru through the ability to use the Bendigo Bank platform in Australia to meet its banking needs, the Agency helps provide Nauru with a wide range of modern and convenient Australian banking products and services. This is intended to support economic activity and underpin future wealth creation on Nauru.

The Agency has the following values:

- Agency and its staff to build and maintain the confidence of Government and members of the Nauru public, by exhibiting the highest standards of honesty, personal integrity and customer focus in all their dealings; and
- Agency staff will continue to meet the expectations of Bendigo Bank by close observance of their policies and procedures, and to consistently comply with the contractual undertakings given to Bendigo Bank by Government.

The Agency has to date achieved the following successful outcomes over the seven years of its operation:

- The Agency business each year has generated **net income** for Nauru after Agency expenses, which includes the Agency meeting its own obligations to pay **tax**, and also meeting the tax obligations of its counterparties and contractors;
- Revenue, which includes **Interest earnings and account fees** are shared between Bendigo Bank (47%) and the Agency (53%); but
- Revenue is also received in the form of (net) **ATM fees** from the Agency's third-party ATM deployer, **Complete ATM Services Pty Ltd** in Australia. From this, the Agency provides incentive payments to the host sites around Nauru where the Agency's ATMs are located; and
- The ATM turnover figures on Nauru since 2015 are now cumulatively more than **2.7 million** transactions processed, and these transactions are valued at **\$485 million** in total.

KEY OBJECTIVES AND ACTIVITIES FOR 2021-22

The Agency continued to promote financial inclusion and financial literacy. During 2021-22:

- The Agency opened a **second** outlet at Ewa Beach to join the existing Agency outlet at Civic Centre in providing customer service to personal customers, while separately maintaining ATMs locally; and
- Introduced for the first time on Nauru **EFTPOS** access to its personal customers, through a **pilot** deployment of EFTPOS terminals available for use through **three merchant** customers;
- The successful launch by the Agency of the EFTPOS service on Nauru, included providing **first-level support** to the merchants in their day day EFTPOS operations.



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The Agencies continue to provide and service Nauru customers with a range of deposit, saving and term deposits account products, (and facilitate convenient access to their accounts through internet banking, ATMs and EFTPOS) consistent with the products offered by Bendigo Bank in Australia.

These accounts can be **fee-free** or with a **fee cap** (subject to some terms and conditions). To these can be added E-banking access, typically via Smartphone:

- **Everyday Transaction** accounts, which includes a **MasterCard Debit** card to allow worldwide access to the bank account using ATMs and EFTPOS and the facilitation of **online shopping**;
- **EasySaver savings** accounts, which can be funded by deposits or automated payday transfer from Everyday Transaction accounts; but
- Some unemployed /low income members of the community could build a banking relationship starting with a low cost Savings account, (with no ATM card or MasterCard but

unlimited access to **fee-free** E-Banking) and to benefit from interest on account balances calculated daily and paid monthly.

Services/Access provided from Australia but serviced locally include:

- ATMs -10 Third Party (Australian) ATMs serviced/maintained locally. All cards are accepted - ATM, MasterCard and Visa Credit and Debit transaction cards;
- Transaction fees are charged as ATMs are provided by a third-party ATM deployer, Complete ATM Services Pty Ltd; and
- Internet (e-banking) access;
- EFTPOS using Bendigo Bank ATM cards or MasterCard debit cards; and
- Visa or MasterCard debit or credit cards issued by other banks worldwide;
- Processing is in Australia and updated in *real time*.



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

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

KEY ACHIEVEMENTS IN 2021-22

1. Easier Access

- All new ATMs installed, replacing older units, which includes a through-the wall ATM to allow for 24 x 7 operation and customer access;
- New Sub Agency at Capelle Shopping complex at Ewa Beach;
- Commencing in the last quarter of 2020, a successful pilot of 40 EFTPOS Terminals at two supermarkets and at Nauru Post outlets, with an average EFTPOS transaction size of \$75.



2. Growing Financial Inclusion

- A total of >13,600 Bank accounts (all) – a 7% **increase** from 12,700 accounts in 2020-2021;
- A total of >600 business customer accounts;
- The number of personal customers with cards is now >80% or >9,500;
- The number of personal customers with (internet) e-banking is now 75% or >10,600;
- The number of school age children (of which there are ~3,800) with bank accounts is now at about 50%;
- Up to 50,000 ATM transactions a month, valued at up to \$8 million - there are now 5.8 ATM transactions for every one counter transaction at the Agency;
- Up to 7,000 EFTPOS transactions a month valued at ~\$640,000 during the Pilot period.



3. Growing the Account Portfolio (savings)

- Liability products totalled ~\$260 million in 2021-22, an **increase** from \$250 million previously;
- Average account balances were \$19,000, but this was due mainly to large balances maintained in **business** accounts;
- Personal customer transaction and savings balances now an average of \$2,000.

4. Growing the Resilience of the Agency

- Agency counter transaction during 2021/2 averaged 11,000 per month valued at \$27 million and the second Agency outlet greatly assisted in handling these large volumes, despite the COVID-19 precautions that the Agencies were required to observe;
- While Agency income fell mainly due to ultra-low interest rates in Australia, expenses declined and were favourable to budget;
- **Retained Earnings** (reserves) increased slightly to **\$3.5 million** (net) as at the end of 2021/22 financial year.

5. Growing the Capability (Turnover) of the Agency

- EFTPOS Transactions by Nauruans during 2021/22 averaged 22,000 transactions per month, valued at \$1.2 million per month. However, this is now trending higher due to the success of the on-Island pilot;
- Full-time staff of 18, (down from 20 in prior period)
- Transactions at the Agencies averaged 10,800 per month valued at >\$27 million in calendar 2021, and while the total values have reduced slightly, the monthly volumes of transactions (when compared to previous years) have not significantly changed; and
- In 2021 the Nauru customers generated >4.5 million transactions totalling >\$2.9 billion.

NEXT STEPS AND THE YEAR AHEAD

In the coming year, the Agency will explore the following expansion in products and customer convenience:

- Christmas Club accounts– now that sufficient Agency staff have FSRA Tier 2 accreditation;

- Gold Term Deposits (with flexible terms and conditions);
- Existing EFTPOS devices on Island to be upgraded, and 250 new terminals to be rolled out to suitable locations around the Island; and
- Eventually, EFTPOS devices per head of population figures will equate to Australia;
- Microfinance Lending, and to some SMEs – under discussion;
- Revenue has been under pressure due to ultra-low interest rates in Australia;



We would like to avoid the need for support for the Agency to be provided from Government Budget appropriations; but

- EFTPOS rollout starting Q4 in calendar 2021, is likely to have a **negative effect** on ATM revenue as above, but will result in **increased** (CAPEX and OPEX) costs for the Agency;
- Increase in portfolio - we have not yet been able to have Bendigo Bank permit **new deposit products** or be willing to embrace **micro or SME Lending** for Nauru;
- Limiting any increase in Agency expenses.

TRAINING

During the past year, all staff were required by Bendigo Bank to do continuous, (monthly basis) online learning. This is mainly for compliance reasons. With COVID-19 this review has been done online and virtual (online) training was carried out using MS Teams.

