



REPUBLIC OF NAURU

2023-24 BUDGET

BUDGET PAPER NO 2

CIRCULATED BY

THE HONOURABLE MARTIN HUNT MP

MINISTER FOR FINANCE OF THE REPUBLIC OF NAURU

ON THE OCCASION OF THE BUDGET 2023-24

6 June 2023

TABLE OF CONTENTS

PART 1 - Economic Outlook	3
Economic Outlook.....	3
Global Prospects	3
Key Economic Statistics.....	4
PART 2 - Economic Statistics	5
National Accounts.....	5
Consumer Price Index (CPI).....	6
Value of Imports and Exports	9
Balance of Trade	10
Labour Force Statistics	18
PART 3 – State Owned Enterprises	22
Public Enterprise Monitoring Unit	23
Nauru Airlines Corporation	26
Nauru Utilities Corporation.....	31
Eigigu Holdings Corporation	32
Nauru Post Office.....	34
Nauru Port and Maritime Authority	35
PART 4 – National Sustainable Development Strategy.....	38
Economic Sector	38
Social Sector.....	41
Infrastructure Sector.....	44
Cross Cutting Sectors	48

PART 1 - ECONOMIC OUTLOOK

This budget paper provides in detail on the economic outlook, economic statistics, State Owned Enterprises (SOEs) and the National Sustainable Development Strategy (NSDS).

ECONOMIC OUTLOOK

The Treasury uses the IMF World Economic Outlook to inform its forecasts of economic activity. After a strong performance in 2021-22, economic activity in Nauru is expected to moderate in 2022-23 reflecting the wind-down of the RPC towards enduring capability.

Table 1.1: Key Economic Indicators

Item	2020-21	2021-22	2022-23	2023-24
Real GDP Growth (per cent change)	3.4	2.9	2.0	1.5
Nominal GDP (A\$ million)	191	202	216	227
Consumer Prices (period average, per cent change)	2.1	2.5	3.4	4.1

(Source: IMF World Economic Outlook April 2023)

GLOBAL PROSPECTS

According to the latest IMF World Economic Outlook (April 2023), The baseline forecast for global growth is for a fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024.

Beyond 2024, global growth is forecast to remain at around 3.0% over the medium term. Global headline inflation in the baseline is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases.

The IMF has acknowledged Nauru's success in dealing with the threat of COVID-19. The Fund remains of the view that diversifying the economy is the way forward, particularly in light of the scaling down of the funding available from the Regional Processing Centre over the next few years. Diversification of the economy has become a primary focus of the government for the medium term. Growth will require supportive policies to accelerate investment in human capital and infrastructure, and efforts to improve the business environment.

The extension of RPC to 30 June 2023, has not been sufficient to raise the IMF's expectations for Gross Domestic Product (GDP) growth, which is now expected to slow to 1.5% for FY 2023-24, however, it is projected to bounce back to 2.3% in 2024-25. The inflation outlook has followed global trends and is projected to remain unstable, rising to 4.1% for 2023/24 and reducing to around 3.7% for 2024-25. The nominal GDP estimate for 2022-23 is \$215.5 million and this is projected to increase to \$227.0 million for FY 2023-24

Nauru's economic growth is expected to slow down significantly as the RPC transitions to enduring capability on 1 July 2023, reducing government revenues and leading to more modest levels of economic activity. The success of the measures taken to contain and

mitigate the COVID-19 outbreak means we can move forward with a highly vaccinated population and a strengthened health system.

The economic outlook looks risky with the impact of the winding down of the RPC, continuing global uncertainty around commodity prices and stubbornly high inflation. The transition to a possible El Nino event in 2024 could increase the volatility of fishing revenues.

KEY ECONOMIC STATISTICS

This part analysis in detail movement in the national accounts, consumer prices, trade and labour force statistics. The services sector and phosphate exports are the main source of economic growth according to latest GDP estimates for FY 2023-24. Consumer price rises are around 6.9 percent year on year (March 2023), and Nauru continues to run a balance of trade deficit, reflecting continued increase of imports over exports. Australia, China and Japan are the major sources of imports.

A Nauru Population & Housing Census was conducted in 2021 with a population count at 11,680. In summary, The Labour Force Participation Rate (LFPR)¹ is calculated at 67.0% in Nauru in 2021. At the same time the Employment Population Ratio (EPR) was only 63.6%, and the unemployment rate for Nauru was 5.0%. The LFPR was higher for males (76.0%) than for females (58.0%), so was the EPR with 72.3% and 55.0% for males and females respectively. The unemployment rate was slightly higher (5.2%) for females than for males (4.9%).

¹The labour force participation rate (LFPR) is the number of people in the labour force by a given age and sex and/or place of rural–urban residence, divided by the corresponding total population with the same characteristics, multiplied by 100.

The employment–population ratio (EPR) is the number of people employed in cash work by a given age and sex and/or place of rural–urban residence, divided by the corresponding total population with the same characteristics, multiplied by 100.

The unemployment rate is the number of people unemployed by a given age and sex and/or place of rural–urban residence, divided by the population in the labour force with the same characteristics, multiplied by 100.

PART 2 - ECONOMIC STATISTICS

This section provides more detail on economic statistics, and it highlights the following:

- National accounts
- Consumer prices
- Trade Statistics
- Labour force statistics.

Nauru became a full member of the International Monetary Fund (IMF) in April 2016 and became the 189th country member to join. Membership in the IMF supports Nauru's economic management through improved data collection of macroeconomic statistics which are to be produced during the annual IMF Article IV missions to Nauru. Statistical data requirements are primarily related to economic statistics comprising a System of National Accounts (SNA) for deriving the Gross Domestic Product (GDP), External Sector Statistics (ESS) to show transactions with other countries, Government Financial Statistics (GFS), Consumer Price Index (CPI), International Merchandise Trade Statistics (IMTS) and Labour Force Statistics.

NATIONAL ACCOUNTS

The System of National Accounts (SNA) estimate was made in line with the standards and recommendations in the UN's System of National Accounts, and thus comparable with estimates made elsewhere using the same system.

As described in the National Accounts Report, Nauru is at a point of transition with the anticipated decline in phosphate revenue due to depleted phosphate reserves and the phaseout associated with the Regional Processing Centre (RPC) for asylum seekers. New sources of economic growth and income streams are needed to support Nauru's development agenda.

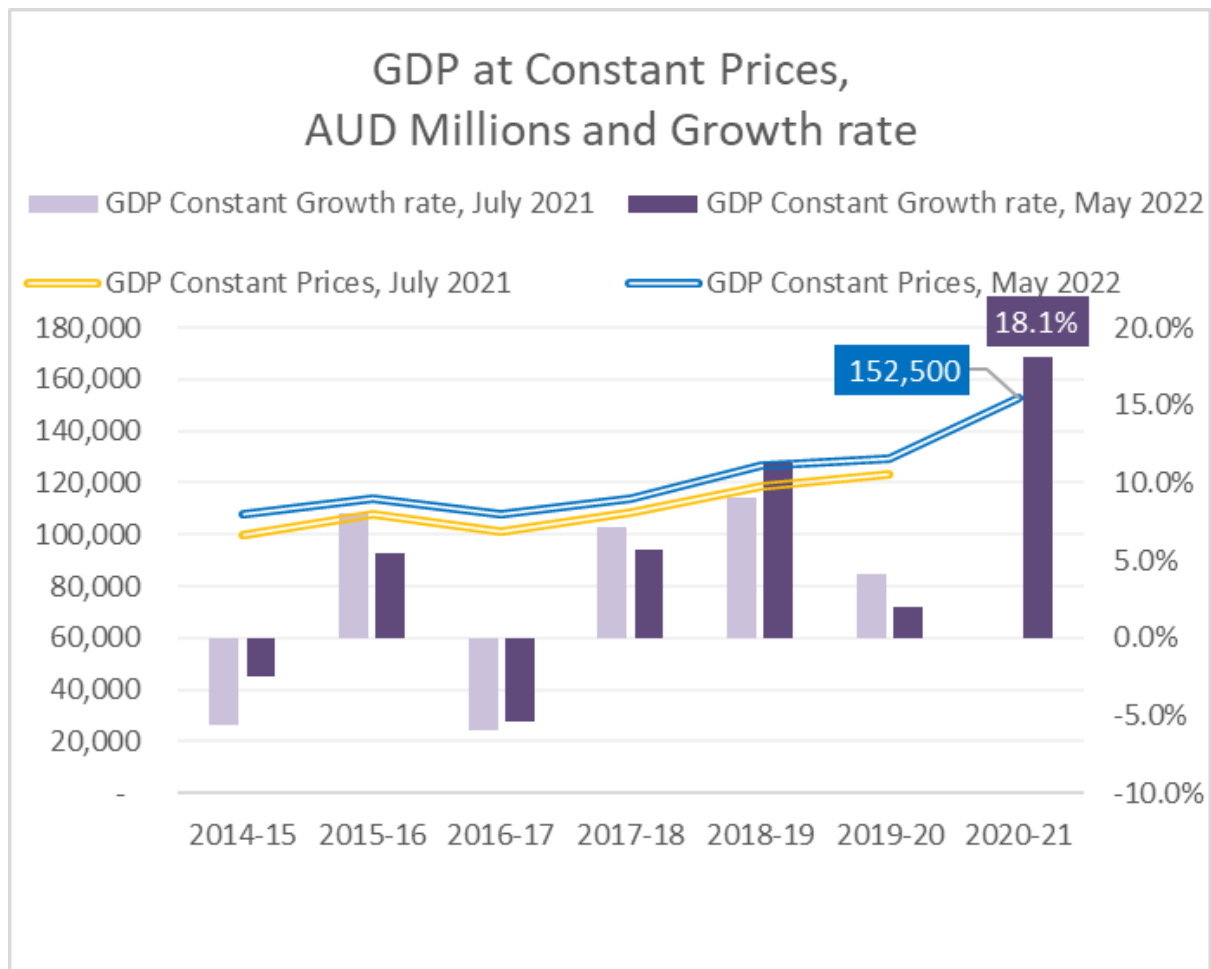
Chart 2.1. SHOWS THE GDP PERFORMANCE AT CONSTANT PRICES**Chart 2.1. GDP PERFORMANCE AT CONSTANT PRICES**

Chart 2.1 above shows the percent growth and total constant prices in Real GDP for the latest fiscal year 2020-21 in comparison to the previous year 2019-20. As shown in the chart above, the 2020-21 Real GDP recorded an 18.1% increase compared to the previous year despite the impact of the Covid-19 pandemic during that year. This strong recovery is reflected by solid growth in the following industries: manufacturing sector (up 213.9%), trade (up 33.1%), electricity, water and waste management (up 15.9%) and lastly Hotels and restaurants (up 12.0%). The health and education sector contracted in FY 2020-21 compared to the previous fiscal year.

CONSUMER PRICE INDEX (CPI)

The CPI measures Nauru's inflation change over time since the re-base period in December 2015 as depicted in Chart 1. The chart represents the fluctuations for each quarter by index numbers and March 2023 was the highest peak with an index point of 121.5 or an increase of 21.5 percent since the base period for the all-groups CPI.

Chart 2.2. ALL GROUPS CPI HISTORICAL TREND

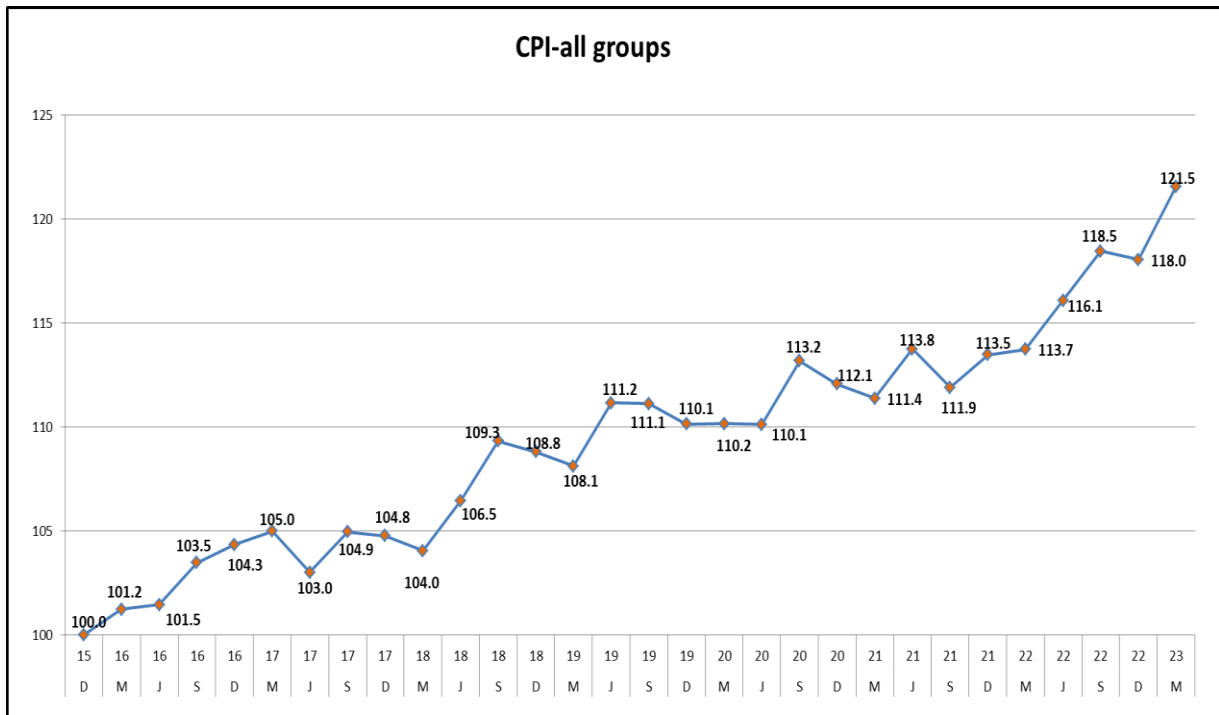


Chart 2.3. CPI ANNUAL PERCENT CHANGE

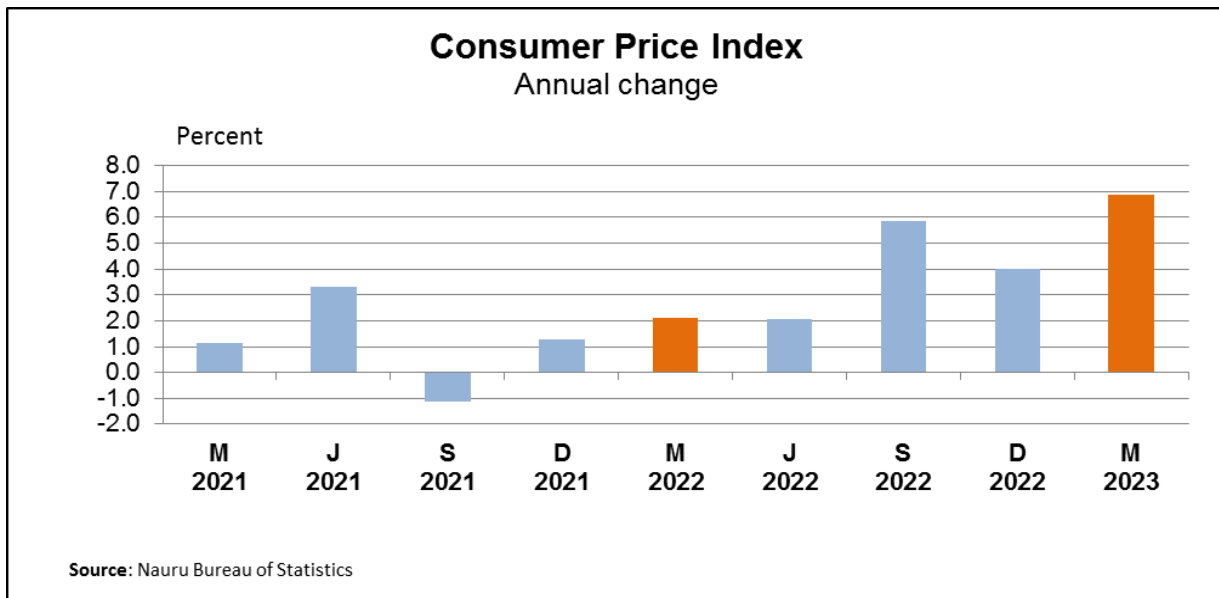
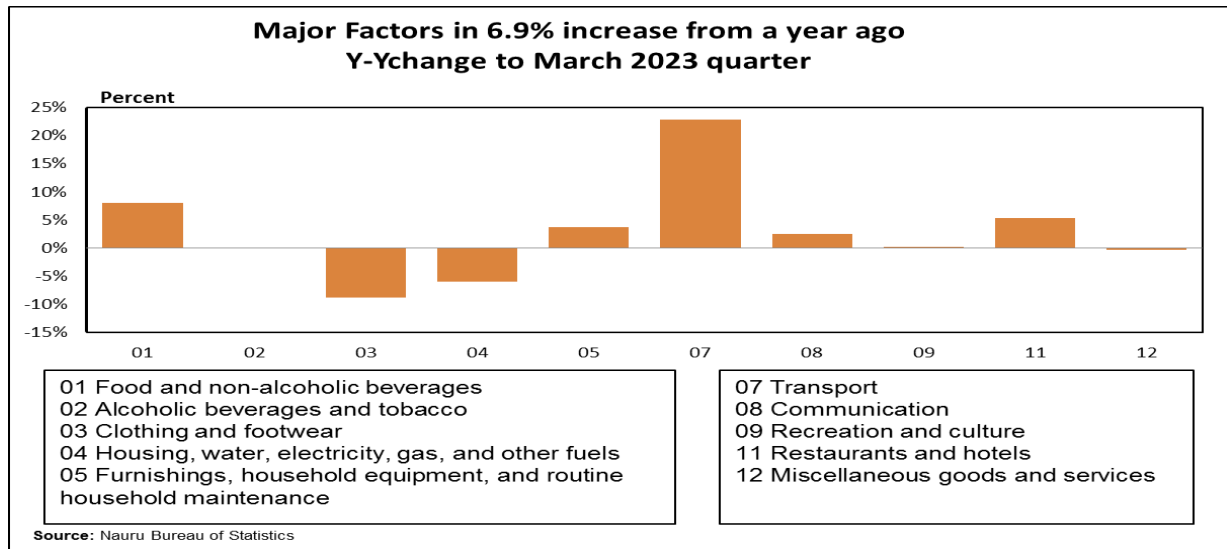


Chart 2.4. CPI ANNUAL PERCENT CHANGE BY MAJOR FACTORS

The CPI increased 6.9% in the year between March 2022 and March 2023 quarter



Five of the ten divisions in the CPI made upwards contributions in the year between March 2022 and March 2023.

The main upward contribution came from divisions:

1. Transport (up 22.8%)
2. Food and non-alcoholic beverages (up 8.0%)
3. Restaurants and hotels (up 5.4%),
4. Furnishings, household equipment and routine household maintenance (up 3.7%)
5. Communication (2.4%)

Downward contributions for Year to year came from the divisions:

1. Clothing and footwear (down 8.9%)
2. Housing, water, electricity, gas and other fuel (down 6.0%)
3. Miscellaneous goods and services (down 0.4%)

The main individual upward contributors during the year came from:

1. Car/station wagon (up 110.3%)
2. Noddy Bird (up 33.3%)
3. Drink mix (refresh, Vita fresh, cool-c, kkol-aid, tang) (up 26.0%)
4. Fresh Fish - Bonito (up 25.0%)

Individually, the main downward contributors to lower prices were also recorded for:

- Boy's trousers, Shorts (down 32.5%)
- Breakfast crackers (down 15.3%)
- Women's Blouses, Shirts (down 14.5%)
- Men's Trousers, Shorts (down 13.0%)
- Corn Chips, Twisties, etc (down 12.9%)

Annual Price Change for Alcoholic Beverages and Tobacco Group

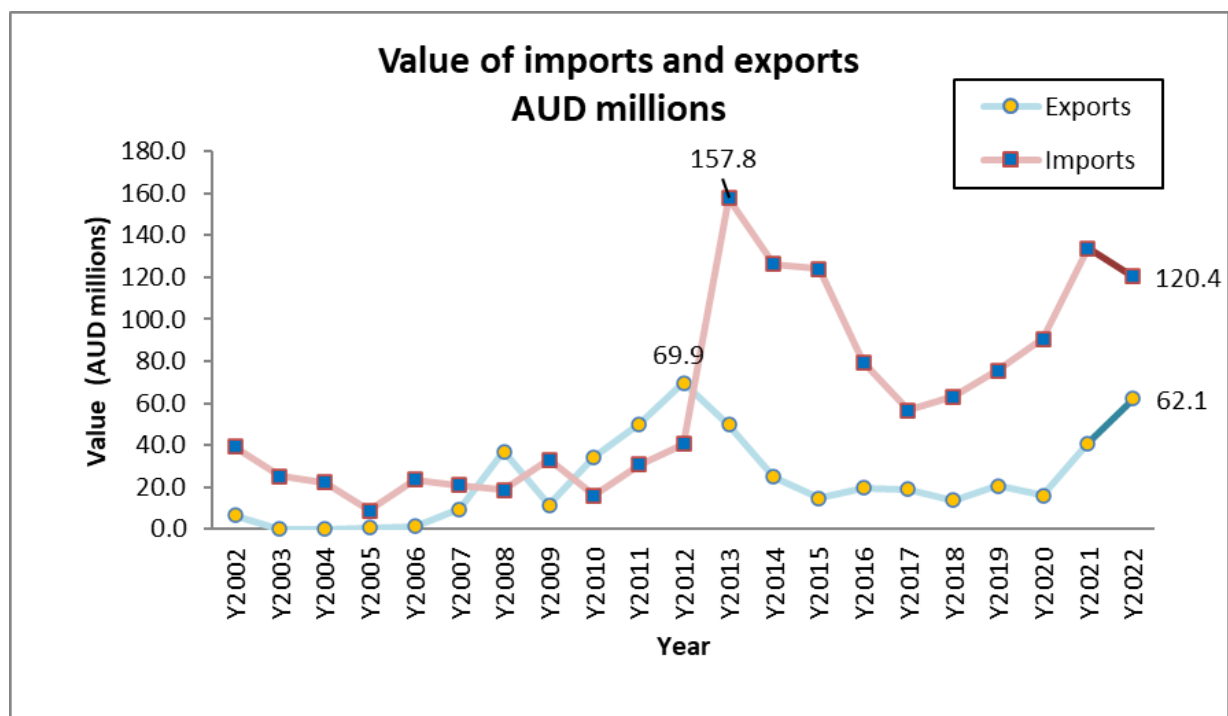
For the March 2023 quarter compared to the same period in the previous year, the Alcohol beverages and tobacco group reported no changes.

International Merchandise Trade Statistics (IMTS)

The Nauru Bureau of Statistics uses data sources from mirror data platforms primarily from UNs Comtrade Trade database (<https://comtrade.un.org/data/>) and some local establishments to compile Nauru's International Merchandise Trade Statistics (IMTS) on an annual basis and will continue doing so until a time affixed, can source data from Nauru Customs. According to the Comtrade database, Nauru's major trading partner countries of consignment in recent years 2020 to 2022 are Australia, Japan and China and the following analysis was sourced from the updated IMTS latest release 2022 prepared by the Nauru Bureau of Statistics

VALUE OF IMPORTS AND EXPORTS

Chart 2.5. VALUE OF IMPORTS AND EXPORTS



Exports As shown in Chart 2.5, exports have grown threefold over recent years since 2020 with a total export value of AUD62.1 million in 2022 after remaining quite stable throughout 2015 to 2020 years around the AUD20.0 million mark respectively. This increase is attributed to the higher global prices of phosphate yielding much higher revenue for Nauru and the improved coverage of re-exported fuel sales to non-resident entities. The re-export products mainly capture the fuel sales to non-resident entities such as Jet -A1 to Nauru Airlines and similar airline operators and diesel sales to RPC and the China Harbour Engineering Company (CHEC).

Imports As illustrated in Chart 2.5, Nauru continues to rely on imports of goods and services as a major source to sustain the economy. The total imports for 2022 is AUD120.6 million, a decrease of around AUD13.0 million from the previous year or a 10% decrease. The decrease from the two observed periods 2022 and 2021 is the combination of declines of the following major commodities:

- Others - unspecified commodities: -59%
- Prepared foodstuffs, beverages, spirits & tobacco: -29%
- Vegetable products: -26%
- Vehicles, aircraft & associated transport equipment -14%

BALANCE OF TRADE

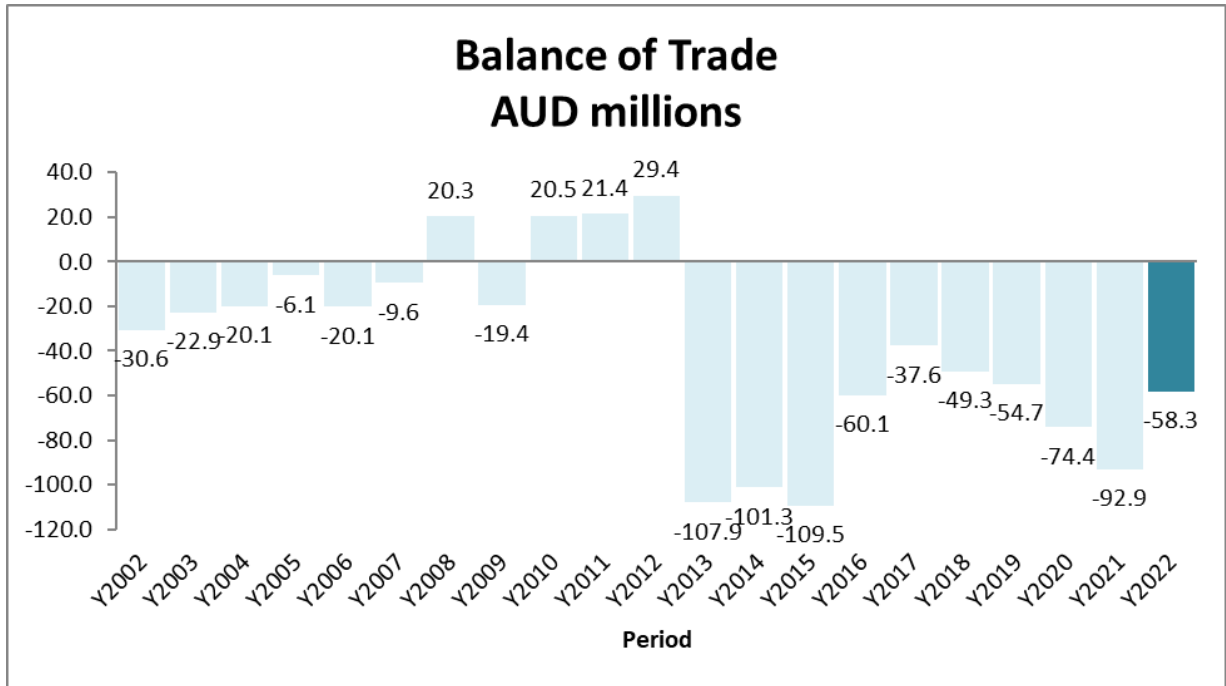
The Balance of Trade (BOT) time series shown in Chart 2.6 shows a continued trade deficit over the past 10 years since 2013 with the only trade surpluses recorded were in the preceding five years in 2008 and 2010 to 2012. In the past 10 years, in particular, for years 2013 to 2015 were the highest deficit period with AUD-107.9, AUD-101.3 and AUD-109.5 million respectively. During this period Nauru acquired a lot of capital goods, heavy machinery and equipment, cement and oils. This period also coincided when the RPC was reinstated back in 2012 and this surge in consumption pattern is partly due to this fact.

Between 2018 to 2021 the BOT deficit resurged and peaked at AUD-92.9 million. The evidence showed gradual increases in consumption over the period for all main commodity groups and the key noticeable commodities are from the following:

- Prepared foodstuffs, beverages, spirits & tobacco – (up 179%),
- Machinery & mechanical & electrical appliances & parts thereof – (up 133%),
- Vehicles, aircraft & associated transport equipment (up 574%)

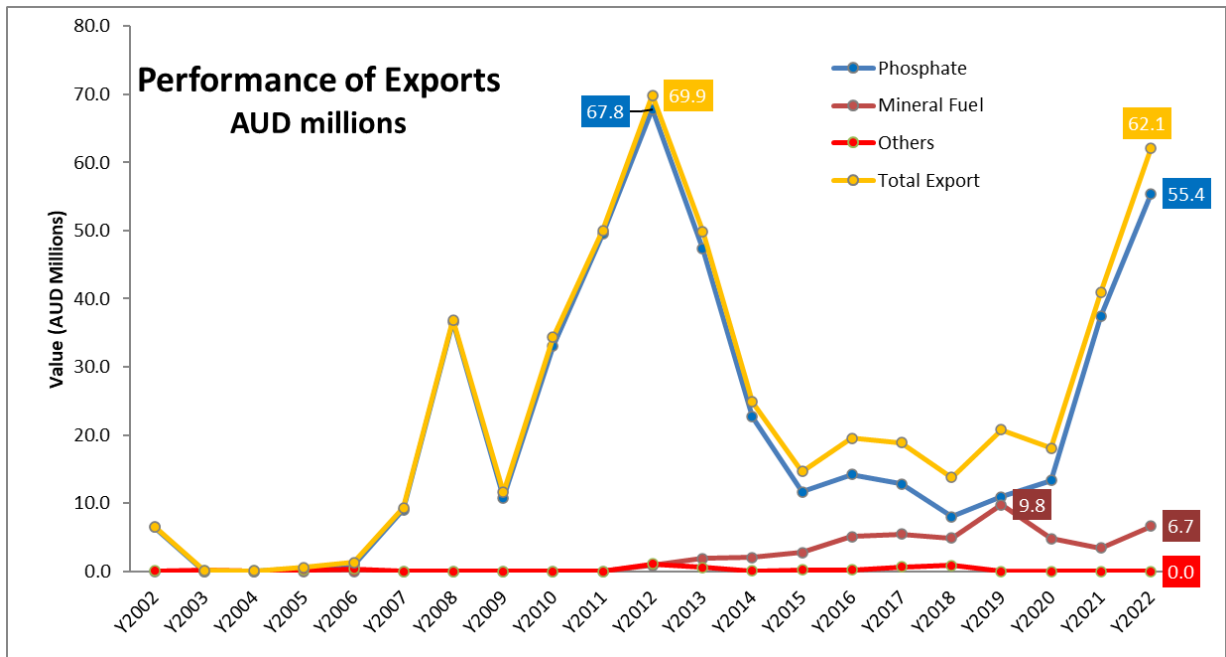
In 2022, the deficit eased off with AUD-58.3 million compared to the previous year of AUD-92.9, a difference of AUD-34.6 million or a decrease of -37.2%

Chart 2.6. BALANCE OF TRADE



Performance of Exports and Re-Exports

Chart 2.7. PERFORMANCE OF EXPORTS

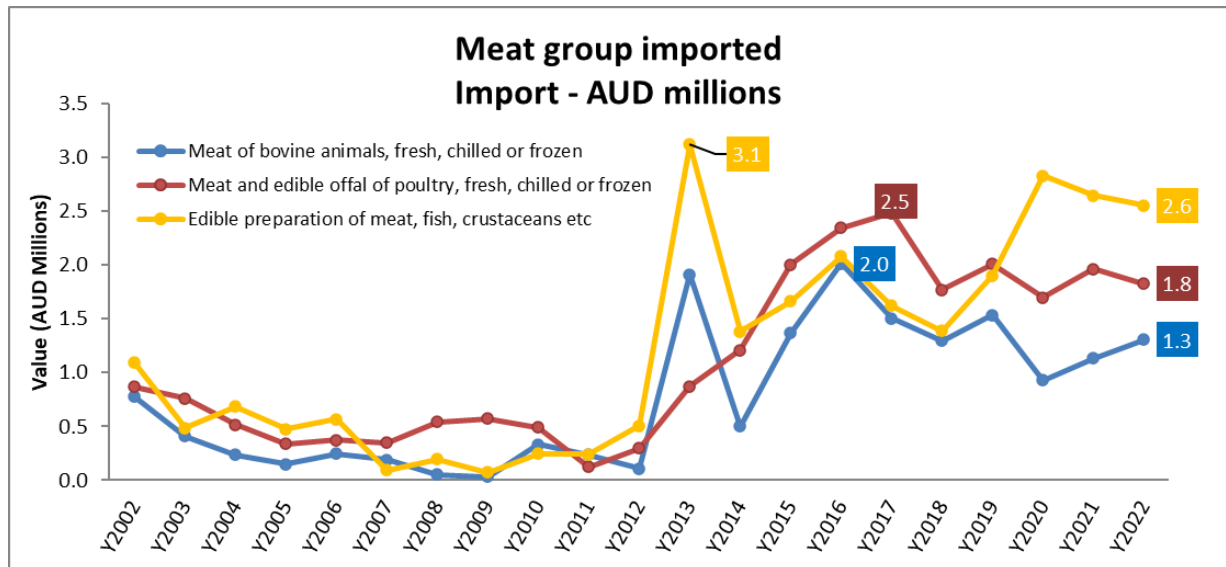


Exports: Graph 2.7 illustrates the volatility of exports over time. Phosphate continues to dominate Nauru’s export commodity market. In 2022, it recorded the second-highest increase at \$55.4 million following back-to-back increases since 2020 of \$13.3 million or a 317% increase. The recent increase in global prices of phosphate significantly contributed to this growth.

Re-export: Fuel is the single most important commodity for re-export to non-resident entities including Nauru Airlines. In 2022, re-exported fuel is reported at a \$6.7 million increase which is doubled when compared to 2021 of \$3.4 million. The most important component of re-export is the Jet A1 fuel sold to visiting aircraft and capturing fuel data only commenced in 2012.

Performance of Imports

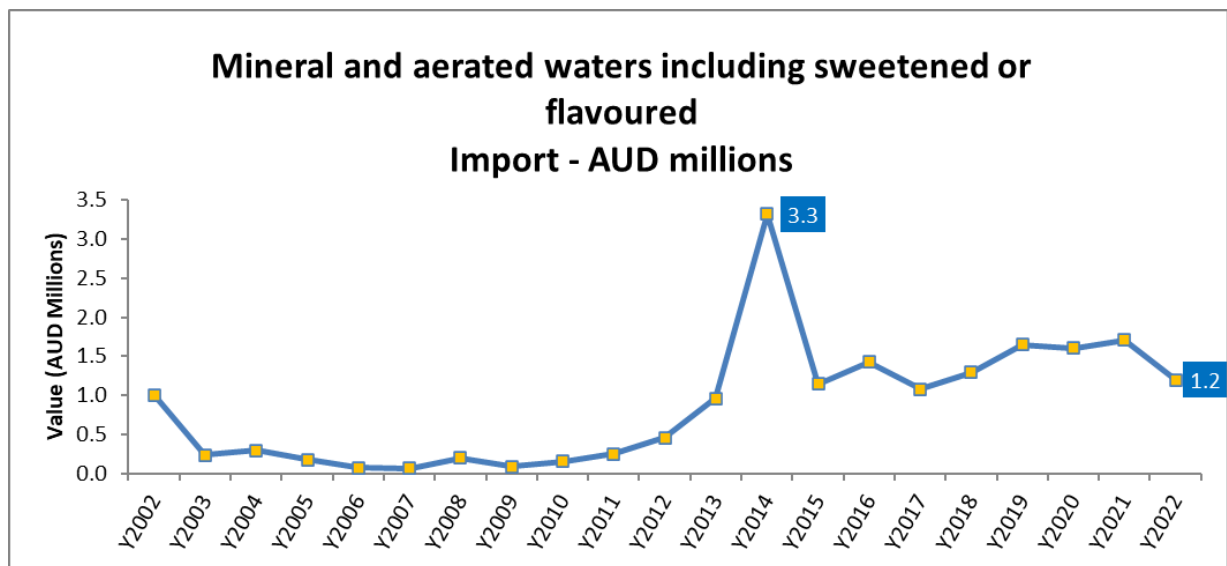
Chart 2.8. MEAT IMPORTS



Imports of Meat: Among the three main protein groups shown in Chart 2.8, the Edible preparation of meat, fish, crustaceans etc became the primary meat import in 2020 and it is valued at \$2.6 million in 2022. This is followed by the Meat and edible offal of poultry, fresh, chilled or frozen with an import value of \$1.8 million and \$1.3 million for the Meat of bovine animals, fresh, chilled or frozen in 2022.

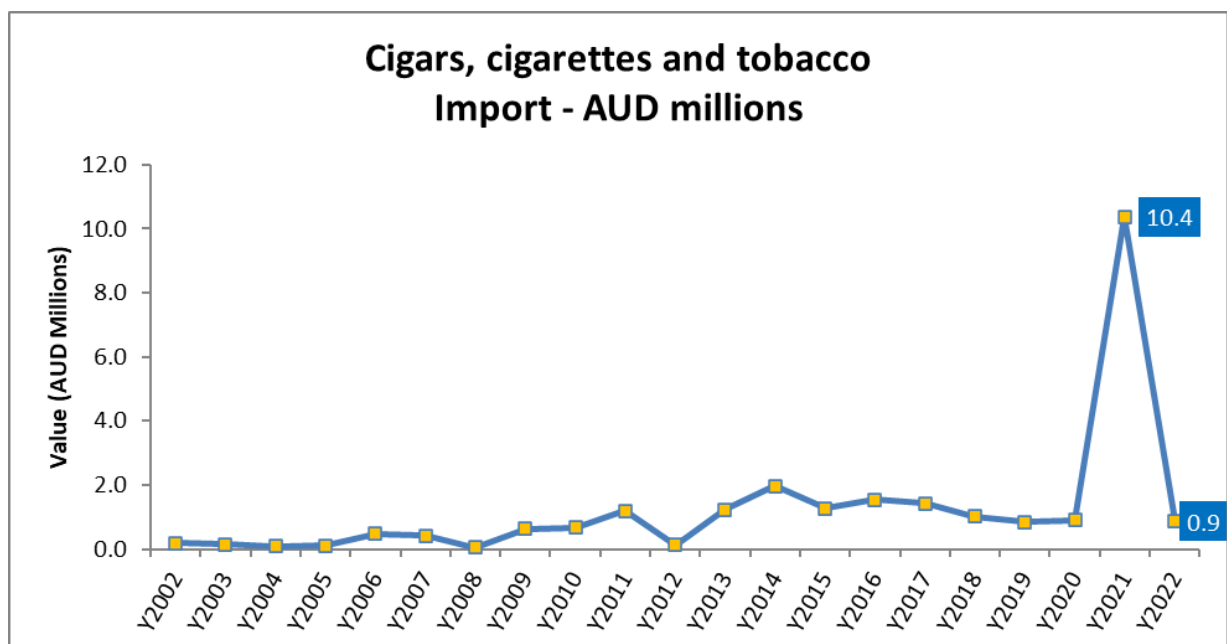
Chart 2.8 further shows a significant price shift for all three meat groups from 2002 to 2012, where import values more than doubled from 2013 to 2022. Possible factors can be attributed to imported inflation or the import volume has increased.

Chart 2.9. MINERAL AND AERATED WATERS - IMPORTS



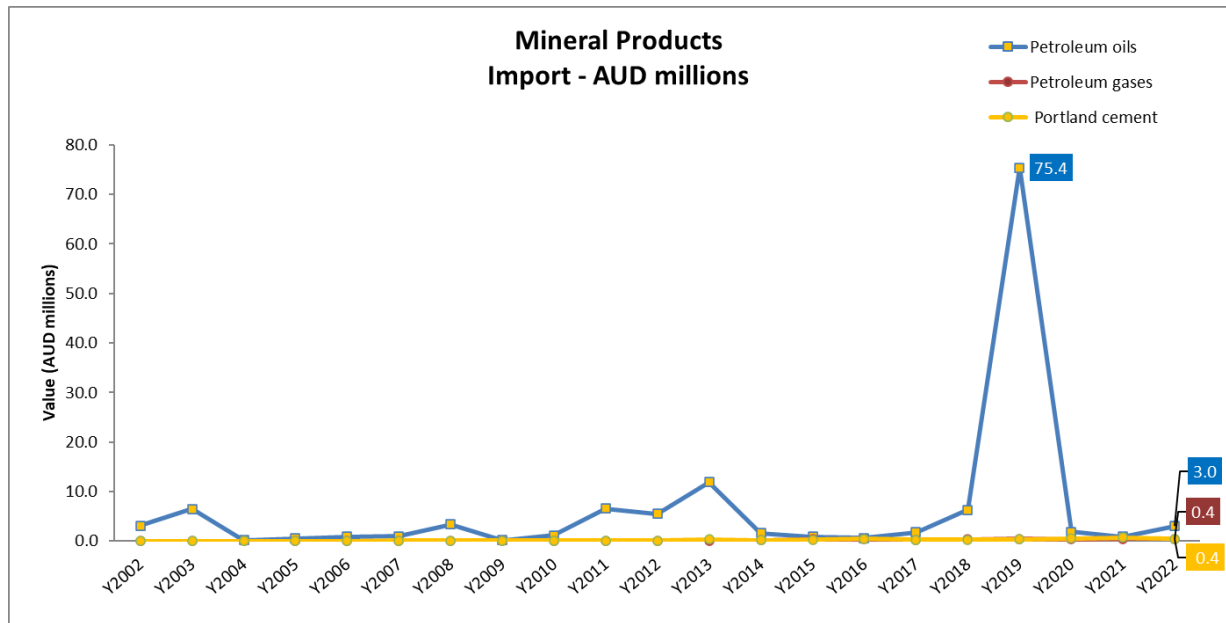
Import of Water: Chart 2.9 shows the movement of Mineral and aerated waters including sweetened or flavoured imports over time with \$1.2 million in 2022, a slight decrease when compared to 2021 with \$1.3 million or a decrease of 8%. Also evident in Chart 2.9, the highest import value was in 2014 at \$3.3 million.

Chart 2.10: CIGARS, CIGARETTES AND TOBACCO - IMPORTS



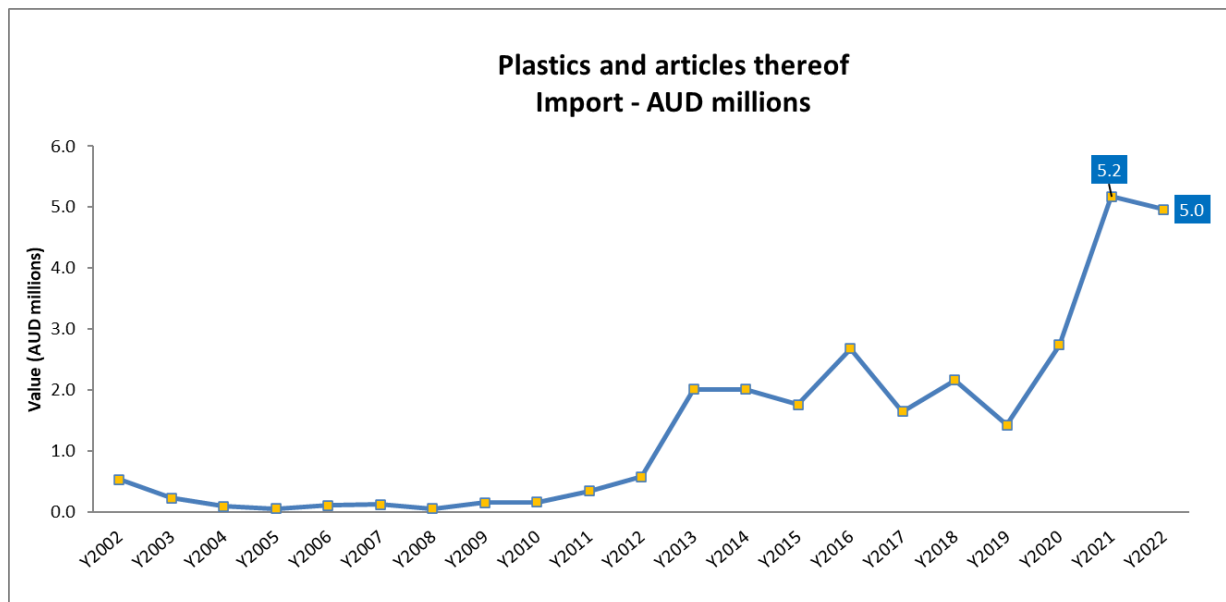
Imports of Tobacco: Chart 2.10 shows the import disparity for Cigars, cigarettes and tobacco over reference period. Tobacco imports have remained relatively stable over time around the \$1.5 million threshold with the only one-off outlier of \$10.4 million recorded in 2021, a 10-fold increase and decrease for the preceding and succeeding years.

Chart 2.11. MINERAL PRODUCTS - IMPORTS



Imports of Mineral Products: Chart 2.11 shows the imports of Mineral Products over time. Imports of petroleum oils were reported at \$3.0 million in 2022 – an increase of 236% compared to 2020 at \$0.9 million. The chart shows that the highest import value for petroleum oils was \$75.4 million in 2019. Imports of petroleum gases and Portland cement remained relatively stable, with import values recorded at \$0.4 million for 2022.

Chart 2.12. PLASTIC IMPORTS

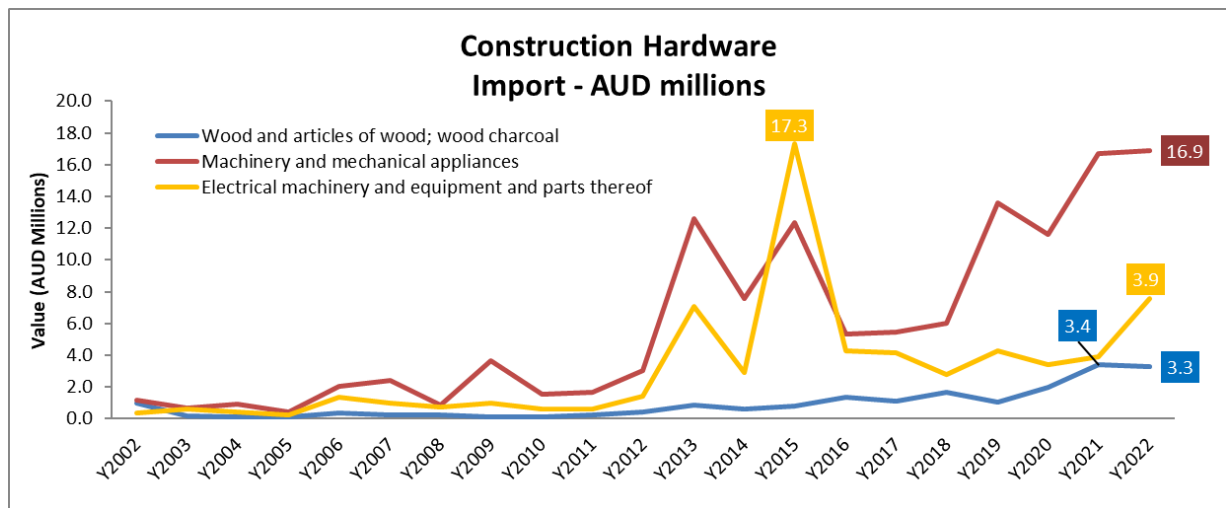


Imports of Plastics and articles thereof: Chart 2.12 shows the imports of plastics and articles thereof over time. 2022 recorded the second-highest import value at \$5.0 million, a slight decline when compared to the previous year in 2021 when the import peaked at \$5.2 million or a decline of 4%.

Since 2012 the imports of plastics and articles thereof have doubled in 2013 and then further increased threefold from 2019 to 2021.

The plastic items consist mainly of building and housing materials for instance: fittings tubes pipes of plastic, floor coverings of plastic, adhesive tapes of plastic, foil film sheets of plastic, bathroom materials of plastic, and kitchenware articles of plastic.

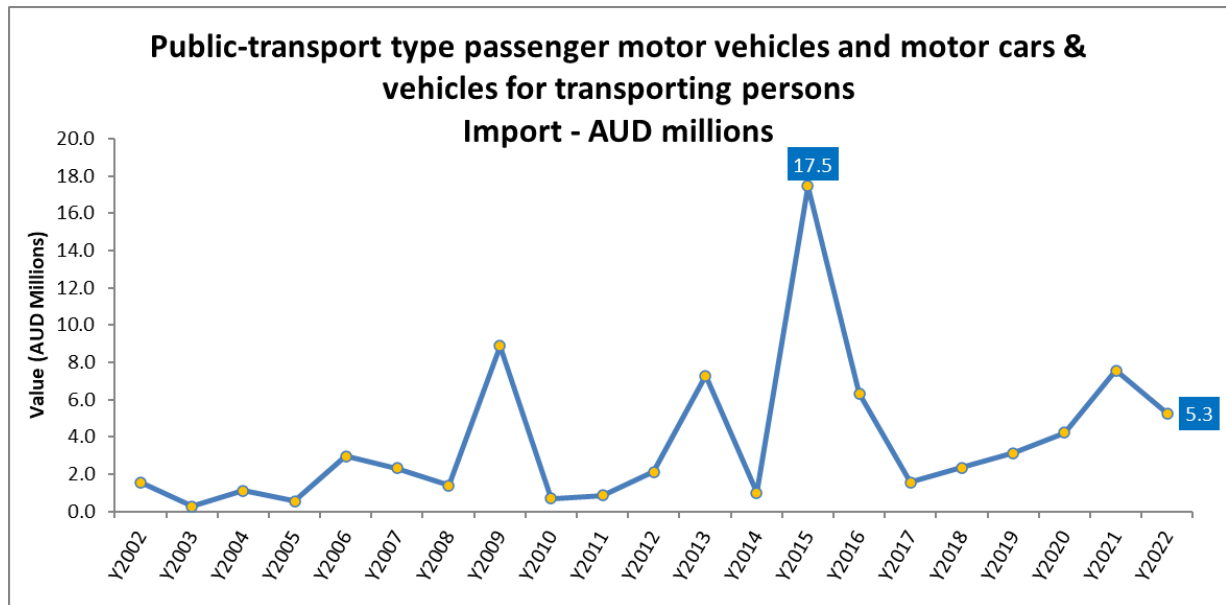
Chart 2.13. CONSTRUCTION HARDWARE - IMPORTS



Imports of Construction Hardware: Chart 2.13 shows the import volatility of construction hardware. The importation of machinery and mechanical appliances has increased over time since 2002 and currently peaked at \$16.9 million in 2022, a continued growth from \$16.7 million in 2021 or a 1% increase. This growth is indicative of the major infrastructure and housing projects development that are currently implemented in recent years.

In tandem, steady increases were evident for electrical machinery and equipment and parts thereof and wood and articles of wood; wood charcoal both recorded steady growths with \$3.9 and \$3.3 million respectively when compared to 2021.

Chart 2.14: PUBLIC TRANSPORT – IMPORTS

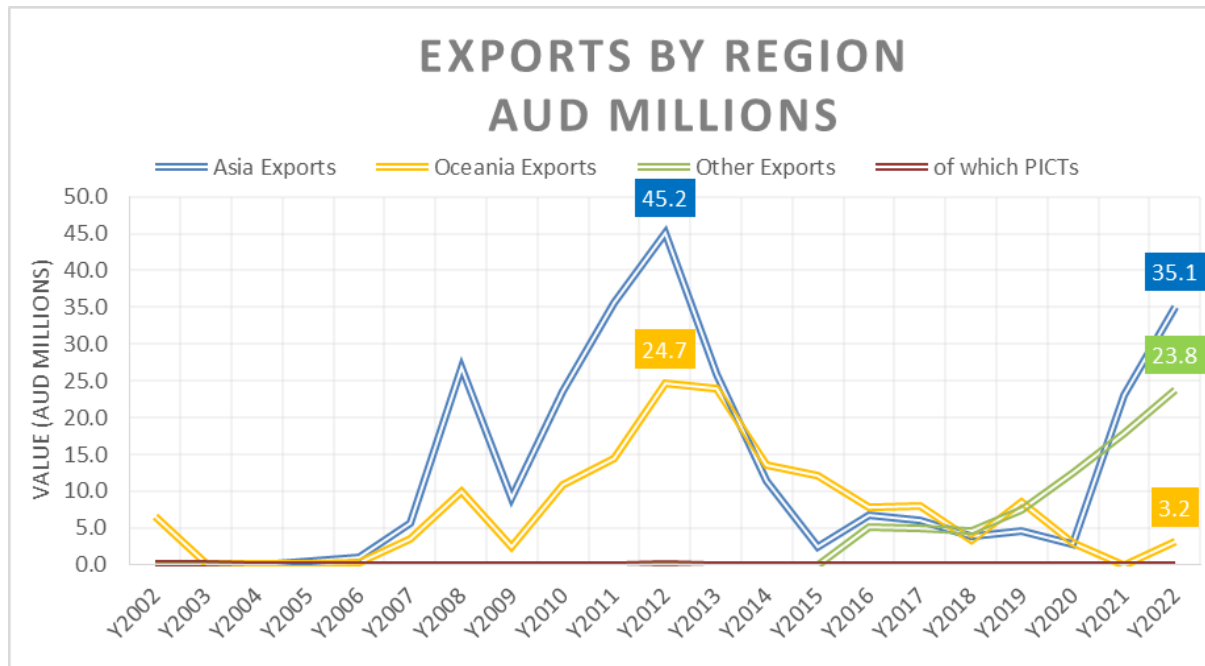


Imports of Public Transportation: Chart 2.14 shows the imports of public transport over time. Imports of public-transport type passenger motor vehicles and motor cars & vehicles for transporting persons show high volatility movement with \$5.3 million recorded in 2022, a decrease of 30% when compared to 2021 of \$7.6 million.

Direction of Trade

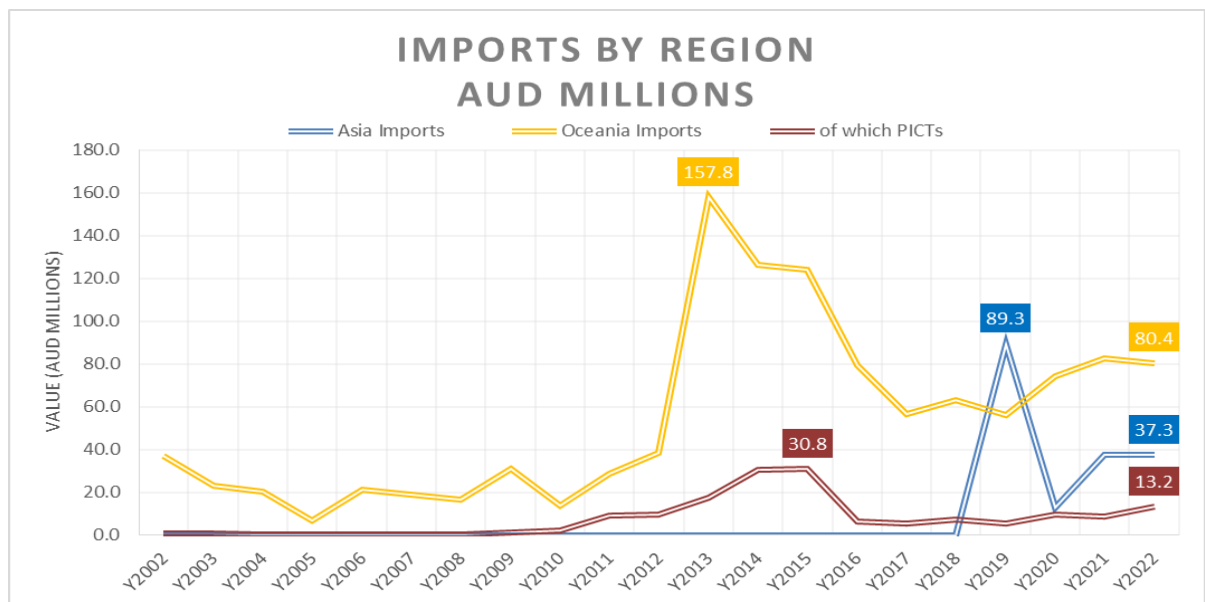
Traditionally for the direction of trade, exports are reported by the country of destination and imports by the country of origin. For Nauru, because of the source of data used for the compilation of IMTS, the country of the consignment is also used for reporting the direction of trade.

Chart 2.15. EXPORTS BY REGION



Exports by Region: Nauru's major export markets from 2020 to 2022 is to the Asian region with an export value for 2022 at \$35.1 million then followed by other regions and the Oceania region with \$23.8 and \$3.2 million respectively.

Chart 2.16. IMPORTS BY REGION



Imports by Region: Chart 2.16 shows Nauru's major source markets by region and by years. As shown in the chart, from 2020 to 2022 the majority of our imports are from the Oceania region accounting for 67% of the total import for 2022 alone with Australia, Fiji and New Zealand as the major source countries. However, the overall trend is showing a moderate decline since it peaked at \$157.8 million in 2013.

The Asian region is emerging as a key trading option and only in 2019 will it surpass the Oceania region with the highest \$89.3 million. Further improvement in the coverage of Asian imports will improve the analysis of the imports by region.

All imports, be it vehicles from Japan or garments from China, came through Australia or Fiji via transshipment. Graph 2.16 shows that most of the imports either originated from or were consigned from Australia or Fiji.

Imports from our neighbouring countries of the PICTs show that it is one of the key regions in which Nauru sought its goods and services. Imports from PICTs are reported at \$13.2 million for 2022 with Fiji as the primary country source. As shown in Chart 2.16, the highest imports on record is valued at \$30.8 million in 2015.

LABOUR FORCE STATISTICS

Table 2.1. Proportion of Employees by Locals and Expatriates by Employer in the Public Service, State Owned Entities and the Private Sector, 2013-2016, 2019-2022

EMPLOYER	TOTAL (%)								LOCAL (%)	EXPAT (%)
	Y2013	Y2014	Y2015	Y2016	Y2019	Y2020	Y2021	Y2022	Y2022	Y2022
RON Government	38.6	43.5	44.0	45.1	51.3	39.9	42.3	45.7	41.2	4.5
Regional Processing Centre	7.0	32.0	31.1	29.3	22.4	19.9	16.6	1.3	1.2	0.1
Ronphos (SOE)	15.1	9.6	9.8	9.2	8.9	6.3	7.9	9.3	9.0	0.3
Eigigu Holdings (SOE)	12.3	7.8	8.2	9.2	6.9	8.3	8.6	6.5	6.0	0.5
Nauru Rehabilitation (SOE)	9.7	5.6	5.3	5.3	3.6	3.1	4.1	3.7	3.7	0.0
Nauru Airlines (SOE)	1.3	1.5	1.5	1.9	2.8	2.5	1.6	4.8	2.4	2.4
Nauru Utilities (SOE)	na	na	na	na	4.0	4.2	5.1	4.9	4.7	0.2
Eigigu Solution (SOE)	na	na	na	na	0.0	15.8	13.7	10.8	10.3	0.6
Nauru Maritime & Port Authority (SOE)	na	na	na	na	na	na	na	2.3	2.3	0.0
Nauru Fisheries (SOE)	na	na	na	na	na	na	na	2.0	1.9	0.0
Nauru Post (SOE)	na	na	na	na	na	na	na	1.7	1.5	0.2
Private Sector	na	na	na	na	na	na	na	7.0	5.9	1.1
TOTAL	3,086	4,699	4,745	4,760	4,082	3,503	3,462	3,770	90.0	10.0

Sources: Derived from administrative sources

Note:

1) Not available - restaurants and any small businesses

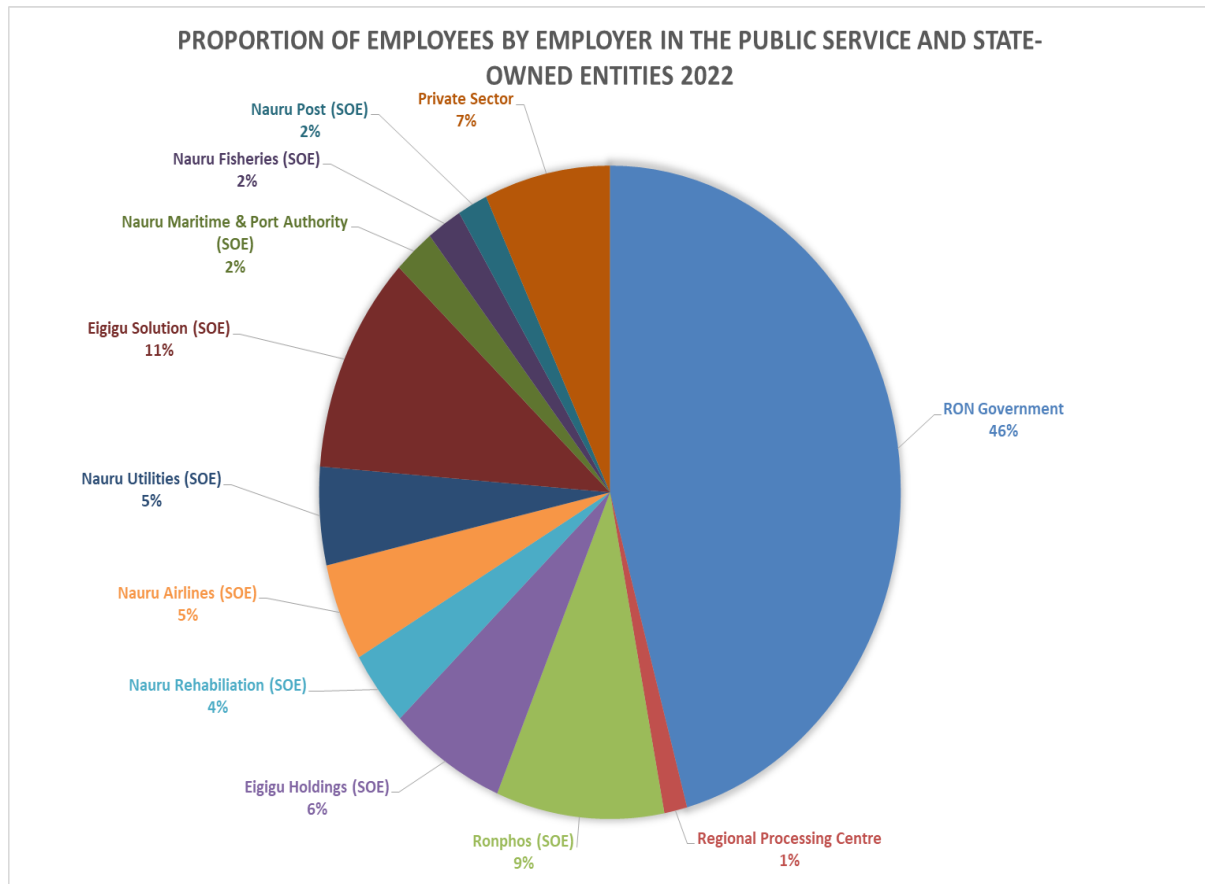
2) Government data is collected and manually identified from the Treasury's Salary Entitlement list with some gender unidentified

- Expat unknown gender total 36 imputed to estimate 60% Females and 40% Males.

- Permanent unknown gender total 10 imputed to estimate 60% Females and 40% Males

The private sector includes Subcontractors, Capelle & Partner and Vital. The project is assigned under Local Staff. CLO assigned to Government Casual. Nauru Airlines are Nauru based only

Table 2.1 represents the breakdown proportion of employees by Local and Expatriates staff by respective agencies. Agencies with the highest number of employees are employed at the RON Government and State-Owned Entities (SOE):

Chart 2.17. PROPORTION OF LABOUR FORCE BY AGENCIES 2022

Source: Administrative data

1. RON Government

Employed the majority number of employees than any other agencies from 2013-2016 and 2019-2022 as shown in Table 2.2 and Chart 2.14. RON Government represents all Government Departments in the public service umbrella including CLOs.

- Governments continue to dominate the Labour market accounting for 39.9 percent of the actual total of 3,503 workforces during the year 2020 and continued to increase the following year in 2021 with an increase to 42.3 percent from the total of 3,462 workforces. This trend continues in 2022 with Government employees accounting for nearly half of the workforce 45.7 percent from a total estimate of 3,770 labour force, the highest in the series.

2. Eigigu Solution Corporation

ESC is one of the major key agencies since its induction for employing local and expatriate staff to the people of Nauru.

- The proportion of employees from the actual total of 3,503 is 15.8 percent during the year 2020 then declines to 13.7 percent from the total of 3,462 in the following year 2021 and continues declining to 10.8 percent from a total estimate of 3,770 in the year 2022.

3. RONPHOS Corporation

Ronphos' share of the labour market has continued to decline over the years since its peak year in 2013 with 15.1%. The corporation's labour market share at its lowest in 2020 is at 6.3% labour market share. Recent recruitment initiatives have recovered the labour market shares for the years 2021 to 2022.

- The proportion of employees from the actual total of 3,503 is 6.3 percent during the year 2020 and gradually increased to 7.9 percent from the total of 3,462 the following year 2021 and continues to increase to 9.3 percent from the total estimate of 3,770 in the previous year 2022.

4. Nauru Regional Processing Centre

RPC experienced a first decline in the labour market shares in 2015 and continues to decrease over the years. Recently it had the lowest number of employees in the Labour Force in 2022 with 1.3 percent labour market share. The declining employee trend is indicative of the phasing out of their operations.

- In 2020 the labour market share for RPC is 19.9 percent from a total of 3,503 workforces and declined to 16.6 percent in 2021 from a total of 3,462 and continues to decrease down to 1.3 percent from the total estimated 3,770 in the year 2022.

5. Nauru Utility Corporation

NUC employee numbers have remained quite stable in the series with a labour market share between the 4 to 5 percent range.

- NUC proportion of employees is 4.2 percent from the total 3,503 in 2020 and increased to 5.1 percent the following year 2021 from a total of 3,462. The following year 2022 their numbers declined to 4.9 percent from the estimated total of 3,770.

6. Nauru Airlines Corporation

The NAC is only accounting staff located in Nauru. NAC gradually continues to increase in employee numbers since 2013 and experience a decline in the year 2020-2021 and increase again in 2022.

- NAC proportion size of employees is 2.5 percent from the total 3,503 in 2020 declining to 1.6 percent the following year 2021 from the estimated total of 3,462 increased to 4.8 percent from the actual total estimate of 3,770 in the year 2022.

7. Nauru Rehabilitation Corporation handles rehabilitated lands, constructs seawalls and several other land projects for housing purposes and the higher ground's initiative.

- NRCs proportion size of employees is 3.1 percent from the total 3,503 workforces in 2020 then increased to 4.1 the following year 2021 from the estimated total of 3,462 workforce. Declining to 3.7 percent from the actual total estimate of 3,770 in the previous year 2022.

8. Eigigu Holding Corporation (EHC)

Comprising the umbrella ship of Eigigu Holding Corporations the following subsidiaries are as enlisted:

- Eigigu Headquarters,
- Eigigu Supermarket,
- Civic Centre,
- Menen Hotel,

- Eigigu Transport,
 - Eigigu Enterprise and
 - Enigin
- The proportion of employees at the EHC is 8.3 percent during the year 2020, then slightly increased to 8.6 percent in the following year in 2021. The number of employees then declined to 6.5 percent from a total estimate of 3,789 in the current year 2022.

9. Nauru Maritime & Port Authority (NMPA)

The proportion of employees at the NMPA is 2.3 percent from the total estimate of 3,770 employees for the year 2022.

10. Nauru Fisheries & Marines Resource Authorities (NFMRA)

NFMRA's proportion of employees is 2.0 percent of the total estimate of 3,770 employees in 2022.

11. Nauru Post Office

Nauru Post's proportion of employees is 1.7 percent of the total estimate of 3,770 employees in 2022.

Labour Force new addition in 2022.

12. Private Sector

The private sector represents private businesses such as subcontractors, retail stores, restaurants and other small businesses. The private sector is a new addition to the Labour Force category, and it accounts to 7.0% of the 2022 Labour force. Further improvement coverage for the labour force in the private sector.

PART 3 – STATE OWNED ENTERPRISES

Government investments in State owned Enterprises (SOE) represent a major component of total assets, hence making continuous monitoring and surveillance of the financial performance and position is critical to maximise returns and improve service delivery. Similarly, the management of SOE liabilities or debt is equally important to safeguard against fiscal risks and guarantee sustainability of entities in the long-term.

The new Public Enterprise Act that came into effect in 2019 strengthens the monitoring of SOEs and ensures improved financial performance and operational efficiencies. Government will continue to report on all SOEs as they are 100% owned by the GON. The performance of the SOE sector in Nauru has done relatively well despite the global challenges mainly with global economic recovery from covid, inflation and volatile fuel prices. Management changes at the SOEs following the 2019 election are completed and the new management teams are focussed on improving corporate planning and performance. PEMU has also begun drafting welcome packages for new Directors and Executives focusing mainly on the work PEMU does and how the SOE has performed from PEMU’s evaluation reports. The presence of the RPC facility in the islands has boosted business for all commercial enterprises and especially SOEs during the whole duration of the camps but sadly, agreements between the Australian Government and Nauru will see the commencement of enduring Capability” for the next 3 years from FY 23/24.

Given the uncertain economic outlook moving forward, the need to improve the resilience of Nauru’s economy, and the significant Government investment in SOEs, it is important that SOEs are as efficient and effective as possible in providing goods and services to the community. Inefficient SOEs act as a drag on economic growth, reducing resources that might be put to better use in other activities that increase the overall productive capacity of the economy, and increase national wealth. Efficient SOEs carry out a mandatory service to society at affordable prices, improving the well-being of the citizens of Nauru while ultimately aiming to give back to the government in the form of dividends.

The Department of Finance intends to ensure that SOE’s sector remains strong with the upcoming challenges faced by Enduring Capability. This includes the focus of increasing the reporting compliance of all SOE’s, improving the communication in between SOE’s and the Government, enhancing directors’ appointment and skills, reinforcing CSO frameworks and agreements and identifying the fiscal risks involved in the SOE’s sector from an national perspective.

Public Enterprise Reform

Governments in collaboration with ADB are developing a Governance framework to enhance the operations of SOE. The key elements of the new governance framework in theory are already being carried out by PEMU. Some examples include having the PE Act and the Board Charter to support good governance. Guidance on the type of work PEMU should be doing via the PEMU Manual, enforcing an annual reporting cycle that enhances transparency and accountability. Implementation of the PEA should improve Nauru’s economic resilience through improving SOE performance and reducing the need for additional government support. It will place high expectations on SOE Boards to articulate the vision for each business, and to properly plan and report on how that vision is implemented.

PUBLIC ENTERPRISE MONITORING UNIT

The Public Enterprise Act 2019 (PEA) with the assistance of the ADB-TA has successfully established the Public Enterprise Monitoring Unit (PEMU). The current structure as it stands has a Director - PEMU, Treasury Analyst - PEMU and an Assistant Treasury Analyst - PEMU.

PEMU's role and responsibilities are set out in the Public Enterprises Act 2019 sections 81 – 84. Key broad areas of PEMU includes:

To ensure that PEs provide the key documents in accordance with the timetable required by the Act, then to review them and provide analytic reports to the Department of Finance senior management and to Ministers. The key documents are the Statement of Corporate Intent (SCI), Half-Year and Annual Reports (which include the financial statements). The review of SCIs is especially important as Ministers can “comment” (in the case of SOEs) or require changes (GCEs) to the SCI.

To provide summary reports to Ministers (which are tabled in Parliament) and summary financial reports (which need to be “published

To be closely involved with review and analysis of any bids from PEs for funding – typically CSOs, new capital, loans, etc. – or approval by ministers, e.g., major transactions.

To provide advice on selection of directors. The present appointments have been made by the Responsible Ministers without receiving advice. It is desirable that over time, a process is developed that moves towards skill-based selection of directors that provides a modern framework for governing SOEs consistent with international better practices.

Importantly, the PE Act makes clear that the primary objective of a SOE is to be a successful business (section 22(1)), and it must conduct its business and operations with a view to being a successful business (section 22(3)). PEMU's role is to ensure SOE aligns their corporate plans along that vision. A SOE is considered a successful business if:

- a) It is at least as profitable and efficient as comparable businesses in the private sector; and
- b) Generates each financial year, a net operating profit after tax

The PE Act provides for the circumstance where the achievement of social objectives might undermine the ability of a SOE to achieve the primary objective. The requirements for a Community Service Obligation (CSO) are covered in sections 25 and 26 of the PEA.

Competitive Neutrality

Government is committed to fostering a vibrant private sector in Nauru by establishing and supporting Public Enterprises that provide a social benefit that do not compete with the private sector. This is essential to use resources effectively within the economy and thus achieve growth and development for all business, small to large and whether privately owned or SOE.

SOEs receive benefits as a result of government ownership, such as a government guarantee, that make it difficult for private enterprises to compete effectively. To not crowd-out private sector activity, SOEs are expected to:

At all times be solvent, and not operate insolvently.

Be a good corporate citizen and pay invoices and commitments on time – i.e. do not accrue accounts payable arrears, or land rental arrears

Not make future commitments without securing necessary funding

Not take advantage of government ownership and support to artificially reduce prices below the cost incurred in bringing the goods to market (predatory pricing)

Keep up to date financial records.

Be fully compliant with the Public Enterprise Act 2019 and other relevant legislative requirements.

Community Service Obligations

Consistent with international better practice, the Government has established a CSO framework that acknowledges Government sometimes asks some SOEs to pursue social objectives that undermine the SOE's ability to be fully commercial, and to generate sufficient revenue to comply with the primary objective to be a successful business.

CSO's are a mechanism used by other jurisdictions to be transparent about government's directives to SOEs to pursue the delivery of social obligations that undermine the ability of SOEs to operate commercially. The pursuit of social objectives often results in inefficient cross-subsidies and comprises the financial performance of the business, leading to ad hoc requests for Government support.

The SOEs receive the CSO in acknowledgement of the cost of the non-commercial activity, so that overall, the SOE's can earn sufficient revenue to be commercial. It also has the benefit of enabling the SOE to compete with private businesses on a more level playing field.

Governments generally accept the principle that the costs of CSOs need to be made transparent for reasons of public accountability and scrutiny, and in order to better assess the financial performance of SOEs. The payment of the CSO enables the SOE to reduce cross-subsidies and improves overall allocative efficiency and national wealth.

To be considered a CSO, the following conditions must be in place:

- There must be a specific request from Government to the SOE to pursue the activity – the CSO must be negotiated between Government and the SOE
- The outcome would not be pursued if the SOE were operating on a purely commercial basis
- There is a specified social objective
- The CSO is costed at 'avoidable cost' (that is, marginal cost of service)
- Funding is from the budget.

The Government of Nauru's CSO Policy Framework 2020 provides for the Government to negotiate a CSO in the following areas:

- provision of essential services at affordable cost
- mitigation of risks to food and supply security
- alleviating cost of living pressures or price rises for all residents.

The policy framework provides that to be considered a CSO, the following principles must be met:

- i. Only the Government can request that an SOE pursue a social objective funded through a CSO – the request must come from Government
- ii. The CSO agreement would be negotiated with the SOE at the Government's request with details agreed between the SOE and Minister for Finance and approved by Cabinet
- iii. The CSO objective is to be clearly specified, and conditions for the CSO, including key performance indicators are to be documented
- iv. The objective would not be pursued if the SOE was operating on a purely commercial basis
- v. The CSO is costed at 'avoidable cost' (that is, marginal cost of service), and this costing is based in evidence
- vi. Agreements are to be annual, and funded in the budget
- vii. Agreements are to be periodically reviewed to ensure that the social objective remains relevant, and that the CSO remains appropriate, efficient and effective in achieving the objective.

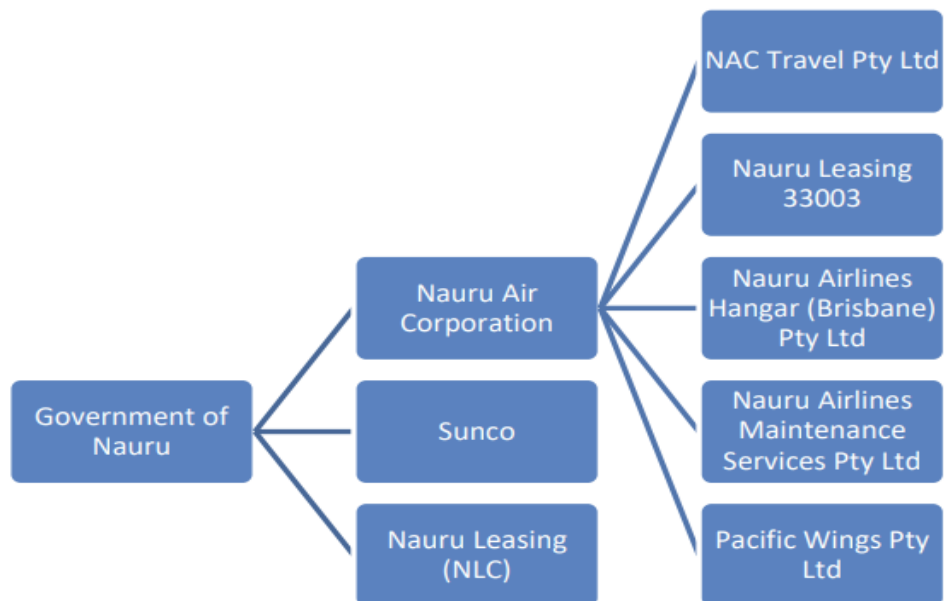
NAURU AIRLINES CORPORATION

NAURU AIRLINES mission is to provide passenger and freight air services connecting Nauru to Australia and the neighbouring Pacific nations. Its primary aim is to deliver these services at the highest level of safety and to operate to the best international aviation standards. The Corporation aims to deliver air services for Nauru in a commercially sustainable way. Nauru Airlines seeks to provide services that facilitate trade and the functioning of government and business sectors and that are affordable for Nauruans and support their health, education and personal needs.

Nauru Airlines Vision is to be the pride of Nauru, connecting the people of Nauru to the global community, through dedicated and innovative employees determined to exceed customer expectations in safety, standards and service. To be an Airline that delivers above and beyond essential services, by creating opportunities for Nauru and Nauruans, contributing to national development and making a difference to people's lives.

The group that consists of Nauru Airline Corporation is illustrated below

GROUP STRUCTURE



Financial Outcome

KEY OUTCOMES for FY end June 2022

- Passenger Services connecting Nauru to Australia increased from once a fortnight, to weekly and then to twice a week services, carrying 2,039 passengers
- 1,137 tonnes of freight delivered to Nauru on 99 freight flights, equating to nearly 2 flights every week, versus the Government CSO sponsored committed once a week freight service
- Second converted B737-300 Freighter aircraft, VHYNU, was brought into service at the start of the FY, providing two Freighter aircraft for most of FY2022, following the sale of the ageing freighter VH-VLI

- A New Generation B737-700 Passenger aircraft was acquired and flew its first commercial flight to Nauru on 31st March 2022
- Profit of \$8.5m for FY2022
- Total Equity has increased to \$18.96m
- Gross Revenue up by \$18m to \$66.9m
- Freight Charter Revenue up by \$9.8m

As well as being achieved despite COVID impacts, this profit is all the more significant when put in the context of results over the preceding five years.

FY end June 2022 – profit of \$8.5 million

FY end June 2021 – profit of \$4.7 million

FY end June 2020 – profit of \$0.3 million

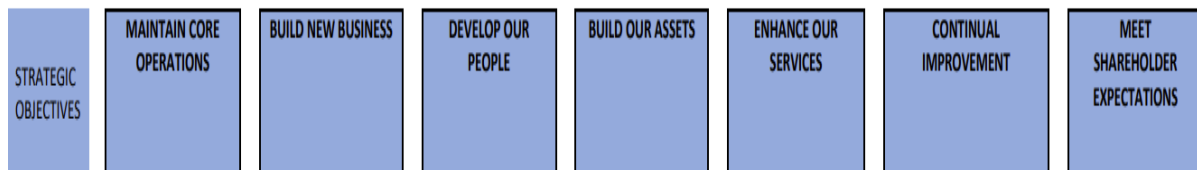
FY end June 2019 – loss of -\$2.7 million

FY end June 2018 – loss of -\$1.9 million

FY end June 2017 – cumulative losses of -\$3.1 million

Strategy

The team at Nauru Airlines Corporation have submitted their Strategic Plans for 2023-25 that will allow them to track progress towards the objectives they have set that will enable them to accomplish their mission and make their vision become reality. The strategic objectives have actions plans and measures in place to ensure the group sticks to the plan and utilise key performance indicators to highlight any issues that need to be addressed.



Maintaining Core Operations

- Maintain regular passenger air services between Nauru & Australia
- Maintain regular air freight services between Nauru & Australia
- Operate passenger & freight charter operations.
- Extend RPT services to neighbouring Pacific Islands where viable.
- Provide ACMI services to airlines as required.

Building New Business

- Increase ACMI services - Qantas freight, Toll, AERgO, other.
- Pursuing long-term ACMI services with other airlines
- Provide full-service charters.

- Explore models & partnerships to provide connections to neighbouring PICs.
- Establish Nauru Commercial team tasked with generating new revenue streams.
- Work with Nauru Govt to attract visitors through easier visa/entry requirements & Govt Tourism incentives.
- Assess expansion of inhouse freight customer services and implement if viable.
- Monetise services & assets - OCC, Part 42 Maintenance Planning, Part 145 MRO, Hangar space.

Develop Our People

- inform & motivate Staff through effective communication, shared planning and teamwork.
- Provide ongoing staff training and development programs.
- implement formal employee performance appraisal system aimed at improving performance.
- Develop succession planning, to provide internal opportunities for staff.
- Engage and promote Nauruan staff where possible.
- Facilitate Staff exchanges between Departments to ensure broad understanding of the airline.
- Develop and implement Staff performance recognition & social programs.
- Recognise and promote Long Service
- Implement scholarship & Trainee Programs - i.e., Pilot trainee, Engineering Apprentice, AME upskilling.

Build Our Assets

- implement a Fleet renewal program.
- Leasing of additional freighters to meet market demands.
- Lease or purchase additional passenger aircraft.
- Nauru Office & airport facility refurbishment
- Develop Part 145 Engineering to undertake more inhouse heavy maintenance.
- Complete and maintain IOSA qualification.

Enhance Our Services

- Build reliability and ensure passenger and ACMI client confidence in the Nauru Airlines services.
- Improve customer check-in experience - review Nauru check-in and departure lounges, develop self/pre-travel check in.
- Offer add-on products (e.g., Premium seating, buy empty seats, excess baggage, merchandise e-Store, etc
- Develop partnerships with other airlines to provide smooth travel connections to Australia domestic & other international.
- Enter into codeshare agreements to grow passenger services.
- Create Hotel Packages in Brisbane and in Nauru
- Develop and implement Sale Campaigns, Seasonal Specials, Island Fare structures, Group Fare packages.
- Finalise benefits and introduce Pacific Star Loyalty program.

- Build brand through effective marketing & use of social media.
- Maintain effective & efficient Distribution channels.
- Ensure 3rd Party Service Providers perform to consistent & quality standards.
- Review training material to support 3rd party suppliers in upskilling customer service staff and standards.

Continual Improvement

- Raise safety standards. Improve safety reporting and closure of findings.
- Establish a Safety Officer in Nauru.
- Ensure sufficient resources are available to meet client demands. Minimise turning down opportunities. Improve operational efficiency.
- Set targets and Improve dispatch reliability.
- Ensure adequate engineer support (Flying Spanners, Nauru LAME, Australian port contractors, etc).
- Improve Financial & related systems to enable monetisation of services.
- Improve charter quote efficiency.
- Maximise integration of IT system applications (LEON, INK, TTI, ALKYM, etc) and optimise use of all modules.
- Establish a Cargo Management System.
- Establish new Payroll & HR systems.
- Upgrade Travel Agency solutions/Application

Meet Shareholder Expectations

- Maintain a commercially sustainable and profitable airline.
- Operate strategic routes & services.
- Stimulate economic demand effects in Nauru.
- Deliver services that meet the expectation of Government and Nauru population.

Community Service Obligation

Total revenue in 2022 includes a Nauru Government Community Service Obligation subsidy of \$4.84m to support freight services to Nauru. This essentially covers the cost of operating the empty return sector back to Brisbane after delivering freight to Nauru, without which the freight rates to Nauru for essential food and supplies would become unaffordable. GON is concerned about the impact of the downward transition of the RPC arrangement with Australia. The impact on direct and indirect revenues on the fiscal position, the economic impact of the reduction in economic activity on the island, and the social impact related to reductions in employment opportunities have thus made the following agreement for CSO;

- GON will apply the 50% reduction in CSO from 1 July.
- NAC will continue to operate the freighter service on a once per week basis.
- NAC will maintain freight charges to customers for both perishable and general cargo at 2022/23 rates

- DOF will review the impact of the agreement after Q1 2023-24 based on presentation by NAC of actual costs (fixed and incremental) and revenues earned during the period.
- GON will review financial reports taking into consideration equivalent quarterly results in 2022-23 and preliminary results of Q2 2023-24.
- NAC will continue to maximise its commercial revenue opportunities and fixed cost recovery capacity during the period.
- DOF and NAC will convene a meeting in Q2 or Q3 of 2023-24 to discuss the results and decide on the course of action to take for the remainder of the financial year

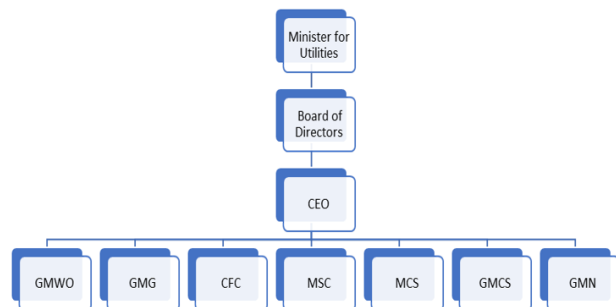
NAURU UTILITIES CORPORATION

NUC provides electricity and water services to Nauru. Its energy supply comprises a mix of diesel and solar powered generation, and water is sourced from a desalination plant and trucked to the end user. The Nauru Utilities Corporation (NUC) was established under the Nauru Utilities Act 2011 (the Act) and commenced operations on 1 August 2011. NUC succeeded the Nauru Utilities Authority. The Act sets out the functions of the Corporation with respect to electricity and water services.

Makur Dogin Naoero meaning “Work for Nauru” appeals to the heart of employees, to give meaning to their work and to inspire exceptional performance. In order to be a high performing organisation, one that delivers exceptional service to the people of Nauru our vision encapsulates that our people are working for their fellow Nauruans, for their families, especially their children, grandchildren and for future generations. In line with the vision, the mission of the NUC is: For Nauru we will Achieve, with a United effort and doing things Right first time, Utopia: providing safe, reliable, affordable, secure and sustainable electricity and water supply.

The working people at NUC at the end of June 2021 was 161 a decrease of 15 from the 2019 financial year and are divided into 5 sections illustrated below.

Category	2019-20		2020-21	
	Number	(%)	Number	(%)
Male	144	82	131	81
Female	32	18	30	19
Expatriate (inclusive)	24	13	12	8
Total Number of Employees	176	100	161	100



Financial Outcomes

The financial performance of NUC is therefore explained in detail in the audited financial statements published in their Annual Report 20/21.

NUC’s revenue comprised mainly electricity sales, water sales, and water deliveries. Over the past 12 month to June 30, 2021 there was positive growth as a result of energy and water sales increasing. Electricity sales grew by 15% and water sales (litres and deliveries) grew by 51.7% when compared with last year’s performance; the sum of which have contributed to overall growth in operating revenue of approximately 19%. Total revenue amounted to \$23,996,888. Operating Expenditure The operating expenditure on the other hand has had its challenges. The past 12 months saw an inventory and written off close to \$0.8m due to an unfortunate fire incident in NUC warehouse. Aside from that, when compared to the targeted expenditures planned for the year (budget), the overall spending was within the range, by 98%. However, with the inventory write-off taken into account, the expenditure this year was up by 6.5%. Total Expenses amounted to \$18,453,475.

Earnings before interest and taxation (EBIT) The results of operating revenue less operating expenditure and depreciation was encouraging. The net earnings before interest and tax performance

for the 12 months period to 30 June saw a 95.4% improvement against last year's performance. Earnings before interest and taxation (EBIT) amounted to \$2,299,732.

However most recent data released since then comprises of the Half Year Report 22/23

NUC's financial performance for Year-to-Date to December 2022 shows negative earnings before tax (EBIT) of \$1,742,682. This negative performance has been, for the most part, a result of the general increase in fuel prices globally and has affected NUC bottom-line. More than 50% of NUC operational budget comprises fuel usage. The first six months saw an exponential growth in fuel prices from \$1.2243 per litre (inclusive of fees and charges) to \$1.72 per litre (inclusive of fees and charges). The fees and charges totalling 8.349% include Terminal rehabilitation fee of 3%, GON throughput fee of 3% and Land lease use levy of 2.349% for every purchase of fuel.

Strategy

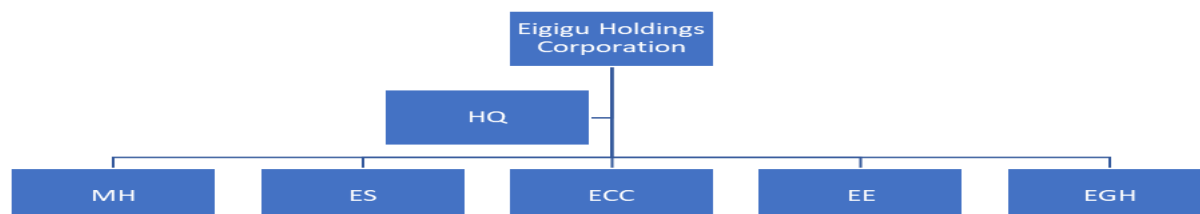
During the half year period from 1 July to 31 December 2022, NUC through its Strategic and Annual Work Plan 2022 pursued the following five (5) Business Objectives which includes: Delivering Safe, Reliable, Affordable and Sustainable Electricity and Water Services Communicating and Engaging with Customers and Stakeholders Customer oriented deliveries A High Performing Organization. The Public Enterprise Monitoring Unit will be working closely with NUC to ensure a proper Strategy of Corporate Intent is formulated to respond to the challenges experienced from the Half Year Results for 22/23. The \$1.7m loss is a significant amount for semi-annual results and the Team from NUC will have to figure out how to encourage recovery to ensure NUC does not fall into insolvency by the end of the financial year.

Community Service Obligation

The Government Community Service Obligations (CSO) pays NUC The Nauru Utilities Corporation (NUC) CSO will provide a discounted residential life-line prepaid tariff for up to 200 kw/hrs. \$2.6 million provided to Nauru Utilities Corporation to continue provision of the affordable electricity through a prepaid lifeline tariff for 17 cents per kw/hr up to 200 kw/hr of power per month.

EIGIGU HOLDINGS CORPORATION

Eigigu Holdings Corporation in the new financial year of 2023/2024 will see major changes in terms of operational streamlining. From the initial 7 subsidiaries of EHC decreased to 5 subsidiaries. The main objective of this company restructuring is to ensure efficiency in our operations and most importantly to avoid duplications in our services.



Financial Outcomes

PEMU managed to receive half year reports for 2022. The half year results for Jul - Dec 21/22 is shown below

ACCOUNT CODE/NAME	MH	ES	ETS	ENIGIN	EGH	EHC HQ	ECC	EE	Actual Jul-Dec'21	Budget FY21/22	Favourable/ Unfavourable	Actual Jul-Dec'20
Accommodations	5,947,964								5,947,964	4,429,496	1,518,468	5,954,994
Restaurant/Food Sales	516,947								516,947	489,000	27,947	405,092
Bar Sales	71,102								71,102	90,000	-18,898	91,504
Bakery									-			-
Space Rental	171,230	21,000			39,566		400,662	30,954	663,412	580,064	83,348	486,529
Equipment Hire	2,935							4,955	7,890	22,806	-14,917	9,606
Laundry Services	20,333								20,333	15,000	5,333	14,916
Vehicle Hire/Rentals	550		20,240						20,790	81,700	-60,910	44,404
Main Supermarket Sales		1,903,816							1,903,816	3,213,616	-1,309,800	1,824,200
Sales - Truck Hire			71,045						71,045	320,320	-249,275	95,910
Sales - Bus Hire			29,940						29,940	-	29,940	-
Project Design									-	-	-	-
Transport Sales - Servicing & Maintenance			28,010						28,010	39,330	-11,321	38,881
Transport Sales - Accessories & Parts			18,616						18,616	237,288	-218,672	55,385
Transport Sales - Registration of Vehicles			121,845						121,845	129,600	-7,755	109,913
Enigin Agency Income				50,485					50,485	67,642	-17,157	69,016
Enigin Aircon Sales									-	-	-	-
MH Bottle Shop	13,774								13,774	43,200	-29,426	43,241
Hardware Sales								709,767	709,767	912,980	-203,214	719,512
Mini Mart- Menen Hotel	101,602								101,602	96,000	5,602	72,092
Other Services Income	140,410	2,065		181,834		91,800	52,016		468,126	546,167	-78,041	368,892
Miscellaneous Income									-	-	-	-
Topup Revenue	86,690								86,690	87,036	-346	75,744
TOTAL	7,073,536	1,926,881	289,695	232,320	39,566	91,800	452,678	745,675	10,852,151	11,401,244	-549,093	10,479,831

No other results have been shared by Eigigu apart from budget submissions due to the fact that their financial reports are in arrears. PEMU is working closely with their team to monitor their progress towards being able to provide up to date financial reports.

Strategy

Eigigu has made considerable changes internally that is pointing things in the right direction, with the appointment of a new Group Financial Controller, recruitment of several new senior finance managers, drafting of financial policies, upgrading of current ledger system to allow for several enhancements including consolidation and auditing plans setting them on the path towards preparing fully amended and up to date financial reports. Amongst the new business proposals is Civic subsidiary taking over Od'N Aiwo hotel services and dissolution of a few loss-making subsidiaries. Exciting things anticipated from Eigigu Holdings Corporation in the near future.

NAURU POST OFFICE

Nauru Post (the trading name of the Naoero Postal Services Corporation) began its operation in March 2018, following the passage of the *Naoero Postal Services Corporation Act* in January 2018.

Some of the services and future plans of Nauru Post include the post office and post office shop, philatelic items, frigate freight services, Nauru Post Pty Ltd Brisbane, Nauru Post Logistics services and Financial services. At the end of 2021 there were 46 staff members employed at Nauru Post illustrated in the table below

Particulars	No.	Percentage
Male	36	78.26%
Female	10	21.74%
Nauruan	40	86.95%
Expatriate	6	13.05%

Financial Outcomes

The table below highlights the latest financial results PEMU has obtained from Nauru Post. The table highlights over half a million dollars in loss recorded from the Half Year Reports dated July 1st to Dec 31st 2022.

(Amount in AU\$)	31-12-2022	30-06-2022
	Six Months	Annual
Income from Operations	6,129,707	13,198,917
Direct Cost of Operations	5,376,625	10,782,796
Gross Profit	753,082	2,416,121
Depreciation on Equipment, Furniture and Vehicle	43,448	99,434
General and Administrative Expenses	1,244,782	1,928,025
Finance Charges	6,912	7,429
Total Comprehensive Profit (Loss) for the Period	(542,060)	381,233
Tax Payable	-	76,247
Profit (Loss) after Tax	(542,060)	304,986

Strategy

Nauru Post has recently taken up a subsidy from the Government of \$500k in response to the challenges they are facing. A team from the Department of Finance will assist Nauru Post in devising a short term plan that will hopefully stabilise the downward turn of events and formulate a long term strategy that will keep it on a profitable pathway.

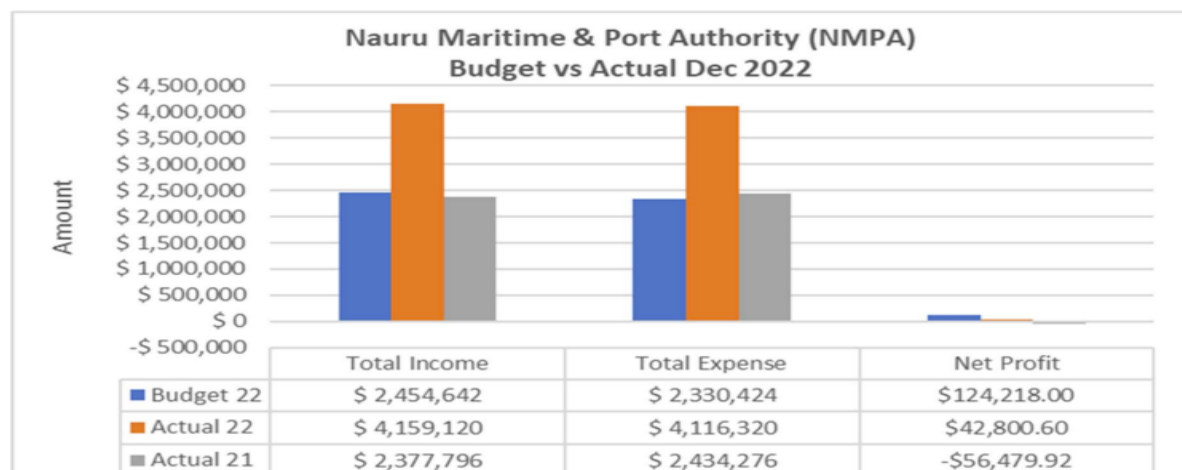
NAURU PORT AND MARITIME AUTHORITY

The Port Authority of Nauru became an SOE in 2019-20, consistent with the arrangements for Port reform in the Port Project. It established its own bank account, and the government appropriation and revenue streams were transferred to it. The key activities for NPMA include the business-as-usual running of the Port, completion of the Port Project and a new project to arrange a wet lease of a ship for a cargo freight service to Nauru to mitigate sea-freight supply risks. Its subsidiary Nauru Shipping Line (NSL) was incorporated on the 29th of June, in the year 2020. NSL was set up to provide Nauru and its people, a secure and sustainable cargo shipping service. The breakdown of total employees under the group is illustrated below.

Division & Category	Male	Percentage	Female	Percentage	Total Staff	Percentage
Nauru Maritime Port Authority						
Nauruan	55	65%	14	16%	69	81%
Expatriate	7	8%		0%	7	8%
Project Management Unit	1	1%	3	4%	4	5%
Nauru Shipping Line						
Nauruan		0%		0%	0	0%
Expatriate	2	2%	1	1%	3	4%
Deployed from NAC	1	1%	1	1%	2	2%
Total	66	78%	19	22%	85	100%

Financial Outcomes

NMPA Half Year report to 31 December 2022 is not audited and does not include the results of its subsidiary Nauru Shipping Line, as these will be reported separately. INCOME STATEMENT The revenue for the six months to 31 December 2022 totalled \$4,014,170.23. Direct operating costs totalled \$1,147,491.84, which produced a gross profit of \$2,866,678.39. Other Income received \$146,000.00, and Overheads totalled \$2,969,487.79. The operating profit after depreciation of \$600,109.22 and after provision for doubtful debts of \$442,601.84 was \$43,190.60.



Nauru Shipping Line operating revenues ended 31 December 2022 were \$6,168,356. Vessel-related expenses were \$10,502,33, resulting in gross loss of \$4,333,980. The Company's Earnings Before Interest Tax, Depreciations, and Amortisation ("EBITDA") was -\$871,300. Loss after Interest Tax, Depreciations and Amortisation was -\$1,051,745.

		1 July 2022 to 31 Dec 2022	1 July 2021 to 31 Dec 2021
	Notes	\$	\$
Revenue	1	6,168,356	7,012,381
Cost of sales		(10,502,337)	(6,911,412)
Gross Profit/(loss)		(4,333,980)	100,969
Other operating income	2	3,940,158	205,804
Depreciation expense		(180,445)	(154,171)
Administration expense	3	(477,477)	(296,351)
Operating loss before tax		(1,051,745)	(143,749)
Income tax benefit	4	-	-
Loss before after tax		(1,051,745)	(143,749)
Add: Other comprehensive income		-	-
Total comprehensive loss for the year, net of tax		(1,051,745)	(143,749)

Strategy

NMPA SCI for 2021-2022 has been developed with the objective of improving performance and skills of NMPA employees during the transition period leading up to the operation of the new port, once completed in 2022 or 2023. The strategic objects for 2021 – 2022 are summarised as follows: - a) to develop a port infrastructure which will achieve a more efficient, safer, cost effective and faster turn-around of ships in port

b) to ensure plant and equipment are well maintained to keep the port continuously functional (Physical Resource Strategy)

c) for employees to undergo relevant training in their fields of work (Human Resource Strategy) under the Port Reform program

d) for NMPA to operate commercially on business principles and to be financially viable and operate independently from Government (Finance Management Strategy).

Community Service Obligation

\$1.7 million to Nauru Port and Maritime Authority (NMPA) to ensure ongoing support to importers through affordable Port charges, by holding Stevedoring and Wharf charges at current rates. The CSO will cover the difference between the current rate and the '2019 gazette rate' that has been set to

ensure that NMPA can cover its costs and operate commercially. There has been a slight decrease in Port CSO allocation from current level due to the anticipated drop in cargo demand.

Other CSO related measures in Head 16 include \$3.2 million to NMPA for hiring tug-boats to support shipping operations, for fuel and phosphate voyages. This is a temporary cover until the new Port becomes operational in which case the Tug will not be required for the Fuel cargo operations.

PART 4 – NATIONAL SUSTAINABLE DEVELOPMENT STRATEGY

This section provides an overview of progress against the NSDS.

The first NSDS originated during a time of crisis, as both a reminder of past errors but also as a guide toward a more sustainable future. The central message was, and still remains, “Partnerships for Quality of Life”. At its launch in 2005, His Excellency President Ludwig Scotty noted that “we need to build the economic base to provide economic opportunities for everyone” and that “the implementation process will be the true test”.

In 2009 the Strategy was revised amidst a tentatively positive economic outlook, and after the reopening of the Regional Processing Centre in late 2012, Nauru enjoyed several years of relative prosperity, until the more recent downturn.

The latest revision of the NSDS began in 2016 with a stocktake of progress that showed only a quarter of all milestone activities had been implemented. In 2017, a public consultation process sought feedback on ideas, concerns and priorities. Key messages from communities included the explicit need for action covering health and education and the urgent need to combat the impacts of climate change. The revision activities were completed, and Cabinet approved the NSDS 2019-2030.

In February 2022, Cabinet approved 133 Key Performance Indicators (KPIs) for the NSDS 2019-30 goals. The KPIs set specific activities and targets that the key stakeholders for the NSDS goals want to achieve by 2030. These stakeholders also set the annual targets for each KPI to ensure progress is made towards achieving the end targets in 2030. A full report on KPI progress was provided in the FY 21-22 NSDS Annual report.

The NSDS is a starting point, a shared framework for action that needs to be operationalised through sector strategies and Annual Operational Plans which articulate specific tasks, timelines and targets.

ECONOMIC SECTOR

Econ-Goal 1: A stable macroeconomic environment conducive to private investment established.

The Nauru Revenue Office continued to work towards the FY 22-23 NSDS KPI target of “100% of Tax Assessments issued within 14 days of filing”, a target which was difficult to achieve due to the COVID community outbreak in 2022 and changes in authorisation of Business Profits Tax assessment issuance.

The Customs division is now assessing all Electronic Single Administrative Documents (ESADs) that are now done within two days. However, revenue collections from Customs duties have reduced by 30% as a result of reduced volume of trade. The high-tariff threshold and non-compliance are also contributing factors to the downward-trend. These matters require more analysis, which will be facilitated by the data which will be available once the ASYCUDA system is established.

The Nauru Chamber of Commerce (NCC), in collaboration with the Australian Business Volunteers (ABV) developed and delivered the Private Sector Development Roadmap to stakeholders. This year, the NCC established a Business Hub and Hub Manager, financial and business workshops, training and coaching conducted by ABV, and developing sustainable strategic plans.

The Foreign Investment and Industry Development Team under the Presidency Department made strides in drafting the Foreign Investment Bill with other stakeholders. A draft bill has been shared with relevant stakeholders and continues to be refined.

Econ-Goal 2: Increased level of domestic agricultural production aimed at addressing food security and healthy livelihoods.

In FY 22-23, the Agriculture Division, in collaboration with the Taiwan Technical Mission, has continued to maintain and/or exceed NSDS KPI targets set in providing livestock, training and supplies to local farmers. This year, the team established a list to guide distribution of supplies, expanded public awareness via text blasts and online posts, and provided pigpens and chicken coops to farmers. There are challenges such as inconsistent water sources, depredation/death of livestock and inconsistency in distribution. Monitoring and evaluation of farmer data and training continues.

Econ-Goal 3: Enhance development and sustainable management of marine and fisheries resources to provide sustainable economic returns.

The target to have “coastal reef area under management or declaring a community marine managed area” will be achieved once the Coastal Fisheries Regulation is passed. The final draft of the regulation bill is currently held by the Justice Department for final vetting. The implementation and enforcement of the regulations may take longer as there is still a need for public awareness and relations to prepare the public to understand and adopt the plans of the Government as well as building capacity to effectively implement the duties.

The NFMRA continues to work towards establishing protected marine areas, where fishing is not permitted. Limits on gatherings following the community COVID outbreak on Nauru last year have impacted the organisation’s ability to engage directly with communities and meet set KPI targets. The NFMRA has made it a priority to progress this work now restrictions have been lifted.

As a result of border restrictions and unavailability of milkfish fries from overseas suppliers, the NFMRA milkfish farming activities were limited, and this caused reduced interest from aquaculture farmers. However, the NFMRA has once again reached out to the Kiribati Fisheries (the milkfish fries supplier) to re-establish trade and has confirmed that the milkfish farming operations will resume, and is re-engaging with milkfish farmers via workshops and training. The NFMRA continues to encounter damage to equipment and materials in spite of efforts to repair and replace them. Therefore, the implementation of a more secure system is required and is currently being worked on. The overall goal is still to one day become less reliant on external sources and establish a self-sustaining hatchery.

Econ-Goal 4: Efficient and effective use of mining and quarrying resources for economic and rehabilitation purposes

RONPHOS continues to improve its production and selling of phosphate. However, due to the increase in production, some of its operational costs (primarily labour) have increased, thereby increasing the total cost per tonne of phosphate produced.

The moorings used by phosphate vessels Australia will be assessed for repair or replacement, with the support of funding from Australia. This project will help RONPHOS with its issue with the mooring system and reduce its operational cost to produce each tonne of phosphate.

Nauru Rehabilitation Corporation (NRC) continues to provide critical support for construction projects on Nauru, by clearing land and providing back fill and aggregates. NRC is under constant pressure to increase its production and services to meet the current demands. However, a shortage of labour force and the breakdown of critical machines continue to pose challenges for NRC.

Econ-Goal 5: Promote development of small and micro-enterprises, foreign investment and economic integration into the global economy.

NRO continues to maintain the 100% OECD standard compliance which will be reviewed during the 2023 OECD Global Forum. This will require the office to keep up to date with changes to international standards and comply with reporting conventions.

In the aftermath of the pandemic lockdown on the island, Nauru Post has taken a step back to reassess and redefine its directions and business model, since it fell short in meeting the NSDS KPI targets set for FY 22-23. The business will need to review and re-establish project priorities following a major review of its business portfolio for FY 2023-2024. Should resources permit, mailing and addressing systems may be rescheduled for start-up during the upcoming financial year, but completion would not be anticipated until the following year, FY 2024-25.

Econ-Goal 6: Promote development of small-scale sustainable tourism.

With the assistance of the NCC, Nauru Tourism Corporation (NTC) has developed a sustainable strategic plan, which is awaiting Government approval. The team has also moved to new premises in the Civic Centre, which has increased their exposure and the number of walk-in customers. The team sell a range of locally made handicrafts and plan to expand their range to promote local artisans.

NTC has worked closely with the Department of Justice to make it easier for tourists to apply for a visa. This, along with vibrant and energetic communications with potential tourists, has seen tourist numbers increase steadily. To meet the demand, NTC has trained interested individuals who wish to guide tourists, giving visitors a truly unique experience and a taste of friendly Nauruan hospitality.

In future, NTC plans to establish a registry of tour operators and promote and provide exposure on tourist and hospitality platforms via local partners such as Menen Hotel and Ewa Lodge.

Econ-Goal 7: An effective, competitive and stable financial system that will enhance economic growth and development.

The Bendigo Bank agency continues to provide deposit and withdrawal, ATM and EFTPOS services in Nauru. In the calendar year 2022, 5.3m transactions processed was valued at \$3.4b. As of early 2023, \$515m was dispensed from ATMs, and 72% of all transactions were carried out via Internet banking.

One of the challenges to improving economic growth on Nauru is the lack of commercial products such as loans or insurance. Land issues are also a significant barrier to investment and business expansion. These issues are currently being considered as part of the Foreign Investment and Industry

Development Team's work on the Foreign Investment Bill. An adviser from the Pacific Islands Forum will visit Nauru in May to assess the work required to conduct a gap analysis to support the bill.

SOCIAL SECTOR

Soc-Goal 1: Improve the quality and broaden the scope and reach of education.

The Education Department is currently in the process of developing a new education strategic plan to replace Footpath IV 2017-2021 with support by an Australian-funded advisor. A design committee was formed earlier in the year consisting of various stakeholder groups and has been meeting regularly to conceptualise strategic content. Completion of this renewed strategic plan is aimed to be achieved before the end of 2023.

There has been significant progress in improving the number of qualified teachers across the levels of education. A total of 15 local trainee teachers under the University of New England (UNE) teacher training program are expected to graduate in this current financial year. Furthermore, 100% of Primary and Secondary teachers are qualified with either a Diploma or Degree in teaching. However, across the Infant Schools, only 20% of teachers have the relevant qualifications in the form of a certificate or less. Fortunately, the UNE teacher training program is expected to offer a Diploma course later in 2023. This will be a capacity development opportunity for the Early Childhood Education (ECE) teachers.

The Department of Education continues to experience challenges in mainstreaming students from the Able-Disable Centre (ADC) into USP and TVET, due to the lack of facilities, space, equipment and funding to implement programs. As such, the Department is looking into potential pathways to enable this mainstreaming. The first pathway will involve close collaboration with ADC to identify the range and levels of disability in their students. It will focus on the learning needs of each individual student in order to determine the programs that will cater to their level of ability. An alternative pathway is to introduce low-risk skill set programs at TVET. TVET's current training courses i.e., civil engineering and building construction, is considered high-risk. The proposed low-risk programs will enable the students' learning in an environment that ensures their safety and well-being.

Teacher training in screening for disabilities is also an area that continues to face progress challenges. Only the Manager for Inclusive Education has been trained with the relevant skill set to identify disability. The Director for CASE has had experience in this training also, but only for a short time. Furthermore, a number of teachers have completed partial training and workshops as a step toward formal training. However, these teachers still need to undergo a formal training process.

Compared to the previous year, there has been a decline in TVET graduates due to absenteeism; low literacy and numeracy skills; and the recurring event of students discontinuing their 2-year course before completion. As such, the Department of Education is looking to propose recommendations to TAFE, Queensland, to address these challenges. These proposals will include: to shorten the courses so that they span over 1 year instead of 2; to incorporate a literacy and numeracy bridging program into the courses; and to have trainers undergo professional capacity building at the TVET, Queensland Campus.

The 2022 cohort of Nauru Secondary School (NSS) graduates has also declined. From 182 senior students, only 61 graduated from Year 12, which is approximately 33%. From the 61 graduates, only

38 students achieved their Queensland Certificate of Education (QCE). This decrease resulted from the impacts of the COVID pandemic, isolation and the variable quality in the home learning packages used during COVID-related school closures. Student benchmark results in literacy and numeracy in years 3, 6 and 9 were also affected by the pandemic. Learning from home has been difficult due to the shortage of learning materials, and the lack of age-appropriate reading material to adequately support the effective teaching of literacy.

Soc-Goal 2: A healthy and productive population

Strengthening and improving the health sector remains one of the top priorities for the Government of Nauru and its development partners.

Despite facing unprecedented challenges presented by the COVID outbreak in 2022, the Department of Health will remain resilient in its efforts to reduce infant and maternal mortality and morbidity rates as well as those attributed to Non-Communicable Diseases (NCDs). In the coming financial year, the Department will continue to implement various activities to increase public awareness on the rising burden of NCDs and the preventative measures that need to be undertaken.

Moreover, the Department of Health continues to record 0% in maternal mortality rates. Expectant mothers have free access to ante-natal care, and undergo thorough screening during their regular check-ups. Those determined to have a high-risk pregnancy are provided with a detailed care and birthing plan. The Department will endeavour to maintain this positive output in the coming financial year.

Given Nauru's commitment to lessen the reliance on Overseas Medical Referrals (OMR) and Visiting Medical Specialist Teams, the recruitment of specialised doctors is still ongoing. The nurse-to-patient ratio has decreased, therefore additional effort is required to recruit and retain nursing staff. However, Nauru is facing a challenge in the recruitment of nurses from the Pacific region as both Australia and New Zealand are also seeking to recruit nurses from the region. Henceforth, Nauru will need to start exploring other regions for potential recruiting sources and will also prioritise training of local nursing students. As such, the Department will seek to re-engage with Fiji National University and the University of Fiji to advance this training.

Soc-Goal 3: Enhanced quality of life through sports for all

Nauru has commenced preparations for hosting the Micronesian Games in 2026.

A Micronesian Games Committee has been established to coordinate efforts across the Government, with the first priority being the preparation of the site (near the Able-Disable Centre), and the development of a Master plan. Donors have been approached to provide technical assistance to develop this plan, help prepare Nauru's athletes, and to contribute to the building and fit-out of facilities.

The Department of Sports continues to work in partnership with the Nauru Olympic Committee (NOC) in developing plans to bring over trainers from Oceania Sports Education Program (OSEP) to conduct training courses in Nauru in the emerging financial year.

Perhaps inspired by the prospect of competing on home soil at the 2026 games, there has been a considerable increase in the number of persons participating in sport. This has been achieved through consistent community outreach programs and strong partnerships with relevant stakeholders such as NOC, WASDA, Health and Education. Moreover, with the recent establishment of the Special Olympics Committee, community members with special needs have been provided a pathway to participate in sport. The Department of Sports has seen a total of 5000 participants, inclusive of persons with disabilities.

Soc-Goal 4: A cultural, socio-inclusive, cohesive and self-reliant community with sustainable livelihoods

The Department of Internal Affairs continues to collaborate with the Nauru Language Committee to develop a Nauruan language dictionary and a Nauruan Study program for years 5-7. In terms of progress, a language regulation has been drafted by the Nauruan Language Committee and is currently awaiting endorsement by the Cabinet. Also, the Nauruan study pilot program for adults in the workforce is still being revised and to be re-tested.

With the objective of identifying new cultural and natural heritage, the Department of Internal Affairs has begun close collaborations with the Department of Lands & Survey. Primary challenges had been the lack of transport and materials, and the unwillingness of practitioners to share knowledge about the sites.

Progress has been made to increase the number of programs commemorating and preserving the Nauruan culture and traditions. The next financial year will see the implementation of a new canoe building project, which aims to preserve the traditional, unique craftsmanship of canoe-making.

The Department of Environmental Management and Agriculture (DEMA), remains resilient in their efforts to increase agricultural training programs despite facing unprecedented challenges presented by the COVID outbreak. In the next financial year, DEMA plans to establish and implement a variety of activities. These will include establishing an Organic Learning Farm, conducting more awareness and training programs, and recruiting a local certified trainer on Agriculture.

Soc-Goal 5: A just society that recognises and respects the rights of women and children, that promotes equal opportunities.

The Department of Women's and Social Development Affairs (WASDA) awarded 18 mothers' certificates of attainment after successfully completing the Child Protection Zero-Three training program. It is a 10-week program delivered by the Child Protection division in WASDA, in partnership with the Department of Health and the Department of Education. The purpose of the program is to increase knowledge and positive practices to a child's developmental needs, specifically for children's years 0-3.

Soc-Goal 6: Investing in Youth – a sustainable future for Nauru.

The Life Skills Program continues to be successfully implemented by the Youth Affairs Department. The program has achieved its target intake of 15 students for this financial year. Out of that, 10 students have successfully graduated from the program; 4 are now employed; 2 have become entrepreneurs; and 5 are currently waiting for responses from places of applied employment. One of

the major challenges to implementing this program is the state of the Youth Affairs building being unsafe to both students and staff. However, renovations will take place in the next financial year.

Soc-Goal 7: A robust, vibrant and effective civil society for a just and peaceful Nauru

The Nauru Bureau of Statistics (NBS) continues progress with the national Census, which was conducted in 2021. The UNFPA, in collaboration with the Secretariat of the Pacific Community (SPC), has drafted the full report in December 2022. The report is now undergoing a final review by an external source. The finalised report is aimed to be released by June 2023. Furthermore, the NBS is planning to organise a Data Literacy workshop in September 2023, with content to be delivered by SPC. The objective of this workshop is to educate relevant Government agencies on how to interpret and use census data.

Additionally, the NBS is planning to carry out two national surveys in the coming financial year. They have been collaborating with UNICEF in preparation of the Multiple Indicator Cluster Survey (MICS Survey). This survey was initially planned to take place in 2020 but was postponed due to the COVID outbreak. It is intended to collect information on the health and well-being of children and women using a sample random selection of the households and population of Nauru. The Household Income and Expenditure Survey (HIES) is the second national survey that the NBS is also preparing to conduct using a sample of selected households in collaboration with the Statistics & Development Division (SDD) of the SPC. This survey project will collect social and economic information on people's living conditions, income and expenditure patterns to enable the update of the Consumer Price Index (CPI) basket as well as to derive information characteristics for key thematic reports for Poverty analysis, Food Security and Food Consumption patterns. The project outcome will facilitate the reporting of several Sustainable Development Goals (SDG) among other of our international reporting requirements. The fieldwork collection is tentatively scheduled for October 2023 and will conclude in September 2024.

The Registry of Births, Death and Marriages (BDM) established a core team for the CRVS system project in late 2022, consisting of the Department of Justice and Border Control, Judiciary, Health, ICT, NBS and the Nauru Electoral Commission (NEC). Shortly after establishment, the core team had an official meet-up, and developed a Terms of Reference). The team will be working closely with the Economic and Social Commission for Asia and the Pacific (ESCAP) team to establish this system in Nauru and are planning to have a collaborative workshop for the redesigning phase in late May 2023.

INFRASTRUCTURE SECTOR

The Nauru National Building Code (NBC) Technical Working Group has drafted a Nauru NBC Action Plan for the development of a new building code, building Act and building control office. The Infrastructure Department has been guided by the Pacific Regional Infrastructure Facility in respect to the timeline for implementation of the National Building Codes across the Pacific. With numerous residential and commercial infrastructures taking place around the island, there is a growing need for a comprehensive building code in Nauru that ensures the safety and stability of structures built. The building code for Nauru will be flexible and adaptable to the island's unique conditions and evolving needs. It will also provide guidelines for the construction of safe, sustainable and energy-efficient buildings that meet the needs of Nauru's growing population.

An In-Country mission was held in early May 2023 to discuss with the Nauru NBC TWG and agree on the following:

- Outline of a Nauru NBC Technical content
- Proposals for the establishment of a Building Control office to administer the application and compliance of the new code, and
- The process to draft and legislate a new Nauru Building Act.

The Nauru NBC Coordinator will be in place as of April 2023 for Nauru and the final consolidated report will be submitted in June 2023 to Cabinet.

A second In-Country Mission in Mid-June 2023 will be attended by the Legal Specialist to discuss and agree the legislative proposals outlined in the Report on Nauru's Regulatory Frameworks and Building Control Legislation.

Infra-Goal 1: Provide a reliable, affordable, secure and sustainable energy supply to meet socio-economic development needs.

The Nauru Utilities Corporation continues to improve the management of its energy supply by reducing the percentage of electricity losses in FY 2022-2023 compared to the previous years. This is made possible by the timing and accuracy of metre readings, monitoring and reporting and continuous installation of review programs to manage non-technical losses. NUC will continue to improve its management of energy supply by strictly implementing asset management and maintenance plans.

NUC has also managed to remain on track to reducing the systems average interruption duration index (SAIDI) and systems average interruption frequency index (SAIFI). This is done through improved accuracy of the system control logs and hastened deployment of technical teams to normalise power supply. Incentives are also provided to achieving the target of reducing SAIDI and SAIFI. Challenges in improving the SAIDI and SAIFI include lack of tools, lack of proper tools, equipment and reports. However, continuous training and capacity building of staff and continuous condition monitoring and timely replacement of assets will enable NUC to keep achieving its targets.

The Asian Development Bank's (ADB) 6.8 MW Solar Development Project is due for completion in August/September 2023. This project will significantly reduce Nauru's reliance on fossil fuels in the generation of its power, helping Nauru gain energy independence and enabling funds currently spent on fossil fuels to be invested elsewhere in NUC. Moreover, in the community, an increasing number of households have installed rooftop solar panels as part of the government's housing scheme to reduce utility bills.

Infra-Goal 2: Provide a reliable, safe, affordable, secure and sustainable water supply to meet socio-economic development needs.

NUC continues to be a champion on the island in meeting the demand of water from both the residential and commercial customers. The reverse osmosis plant is continuously running to meet the increasing demand of water due to low level of rainfall throughout the year. NUC has also focussed on the delivery-side through regular maintenance of NUC's water trucks and engaging with privately

owned water tankers to meet delivery demand. The delivery of water to residential and commercial customers improved by 10% since last year.

The Water Division of DCCNR will run a water testing project with the support of SPC. The project is valued at AUD \$375,000 and will involve the purchase of water testing kits and salinity kits for testing underground water, along with training in water testing techniques. Community leaders will be included in this training and will help distribute testing kits to homes where water quality is of concern.

Another SPC project, Managing Water Scarcity through Strengthened Water Resource Management, will provide households with adequate rainwater harvesting systems.

Master plans for water, sanitation and waste have been developed under the ADB funded Nauru Sustainable Urban Development Project (NSUDP). These plans are the roadmap for water, waste and sanitation infrastructure, and have been approved by the Project Steering Committee, prior to being presented to Cabinet. Consultants will now proceed with feasibility studies and due diligence documents to guide infrastructure development, consulting with projects including SMARTEN and Higher Ground Initiative, as well as community representatives.

It is anticipated that additional donor support may be required to help implement the plans, e.g. to fund tank purchases, add guttering to houses or help connect gutters to house tanks. The full extent of donor assistance needs will be clearer once planning documents are further developed.

Infra-Goal 3: Effective management of waste and pollution that minimises negative impacts on public health and environment.

Eigigu Corporation (EC) has managed to meet sewage services on time through setting up a system to capture data for scheduling service and maintaining operational trucks to continue service. With only one truck on ground for the sewage collection, the manager ensured all collections were maintained by increasing frequency with the single operational truck. However, further support is required to ensure spare parts are available and to help the waste management division to work smoothly.

Some areas of the plant have been upgraded, with new holding tanks installed at the discharging area and the existing cesspit revamped to improve waste extraction.

Plans are underway to transfer the management of sewage services to NUC, to align the task with NUCs skilled mechanical and water management personnel. This move will provide an interim approach until the master plans developed under the NSUDP are implemented. The NSUDP will include plans for improving sanitation and waste in Nauru.

Infra-Goal 4: Improve transport infrastructure and provide reliable sustainable transport services.

Completion of Nauru's primary transport infrastructure project, the Port development project, remains a priority for Nauru, to ensure Nauru's food and fuel security. The new port now has sufficient under keel clearance based on available draft in the berth pocket of approximately -8m, enabling the Micronesian Pride to berth alongside the new wharf from 3 September 2022.

Under the NSDS KPIs, NMPA aims to meet a ship turnaround time for a 300 TEUs vessel in 3 days; however, this target is highly dependent on favourable weather conditions. During bad weather it is not possible to safely move containers. Under good weather conditions, the discharge and back load

operation can be completed within 2-3 days. Completion of the berth dredging to -11m will decrease the swell within the harbour and so provide ease of discharge and loading for vessels. Once the new port is fully operational, an increase in cargo volumes is expected.

The runway redevelopment project, supported by the Australian Infrastructure Financing Facility for the Pacific, remains in the preparatory stages. A UXO survey is due to commence this calendar year, to ensure the area is clear of unexploded ordnance. The project will also include island ring road works; however, the scope of those works is still to be confirmed.

The Department of Infrastructure welcomed an Australian-funded adviser this year. The adviser will assist the Department establish key strategic documents, support the update of the Nauru Integrated Infrastructure Strategic Plan (NIISP) and assist the Secretary implement the Departmental structure.

The Pacific Regional Infrastructure Facility (PRIF) will provide technical expertise to update the NIISP, with a concept note for the scope of works now complete. Implementation will commence from the 4th quarter of FY 22-23. It is intended that further work be undertaken to update the NIISP throughout the first 2 quarters of FY 23-34.

The Department has serviced all 46 road drains as planned this year, with the help of external contractors is in place to undertake this work. This will continue in FY 23-24 and will form part of the FY 23-24 Asset maintenance planning. Further work is required to identify areas that require remediation works and repairs, which the NIISP review will assist with.

An Asset Management plan for roads and footpaths has been developed. An agreed resourcing plan has been tabled with the Minister and agreed in principle for implementation in FY 23-24. However, limited maintenance on roads has taken place in FY 22-23, due to a lack of technical assistance and budget constraints.

Another area of progress that has occurred within the Department of Infrastructure is the development of sustainable housing for Nauruans through the SMART Housing project and the container housing project. Three SMART Houses were completed during the year, with another nine currently under construction. Four are due to be completed. The Department has also purchased 55 container houses - 53 are already on island and the other 2 will be delivered on the next vessel. The infrastructure team have delivered 42 to the homeowners' sites and they managed to install 22 while the other 20 are currently in progress.

The container houses are guaranteed to withstand Nauru conditions and have been pre-treated to withstand sea spray. The container home project will continue next financial year, bringing more Nauruans the chance to live in a home of their own.

Infra-Goal 5: Provide universal and reliable access to internationally competitive services and an independent and commercially viable media.

The East Micronesia Cable System Project is progressing, with the support of the Project Coordination Unit and technical assistance provided by JICA. The Nauru Fibre Cable Company, Department of Transport, and Department of ICT and Infrastructure are involved in the implementation of the project on behalf of the Government of Nauru.

This year, Nauru finalised funding arrangements with Australia, and is working on an agreement with Japan. Also, a Marine Cable System Supplier has been selected and a contract will be signed by the end of May 2023. Preparation of Environmental and Social Management Plans have also commenced, and bids for Terrestrial works are undergoing final review. The Australian team will visit Nauru in May 2023, to confirm arrangements so that laying of cable can start in Financial Year 23-24.

CENPAC continues to work towards improving its service and infrastructures to provide a reliable and stable internet to its customers. Back-up generators and other infrastructures are in place to reduce internet disruptions. Customers are automatically connected through point-to-point wireless connections should there be an interruption to the fibre optic cable connection. CENPAC aims to further increase its services by also providing telecommunication services in the near future, facilitating cheaper and better-quality services to the people of Nauru. However, their aim is unmet due to lack of funding and other factors of accumulated outstanding payments from customers and Government and SOE's not able to pay monthly subscriptions on time.

Progress was also made in FY 22-23 towards launching a telecommunication mobile service, with CENPAC completing 3 phases out of the 4 phases of the project. CENPAC completed the planning and purchasing of equipment, secured permits from landowners, completed design consultations and developed a scope of works after site inspections for the proposed towers. The outstanding phase, installation and construction of the towers, is put on hold due to lack of funding.

Nauru Media has transitioned from Analogue to Digital in November 2022, providing Nauruans with an additional television channel and two radio channels. Nauru Television (NTV) now has the potential to provide multiple channels on the new digital platform and broadcast visual and audio in the best quality. A five-day workshop on the new system was also completed, enhancing the technical capacity of Nauru Media staff. Nauru Media is working on hiring a News Director in the coming year.

Nauru Media has improved its revenue generation capacity through the establishment of studio facilities for use by the general public as well as government. In future, the team intends to provide music recording services, however, this has been delayed due to a lack of a suitable site and availability of contractors. Nauru Media will also upskill staff in music production and composition.

CROSS CUTTING SECTORS

Cross-Goal 1: Strengthen and develop the institutional capacity of the Nauru Public Service

The HR Division continues to invest in technical enhancements designed to streamline tasks, enhance data collection and improve customer experience. The team had implemented full biometric attendance management technology prior to the COVID-19 outbreak, however, this was put on hold while COVID restrictions were in place. With restrictions now lifted, the IT connectivity for the system needs to be re-established and staff re-trained in the use of the system. For the time being, manual timesheets are being used.

Nauru intends to move to an electronic recruitment system and is working with donors to secure support.

Staff development is an ongoing focus. There have been numerous consultations and training scheduled with the NZ Public Service on Skills Gap Analysis and the ADB in developing a National

Training Needs Analysis for Nauru Government. The Student Internship Program continues to be implemented and followed up and monitored by the Training Unit.

Cross-Goal 2: Strengthen Parliament, Audit, Justice, Law, Order and Border Control

The Nauru Accountable and Inclusive Governance Project, supported by the UNDP with funding from Australia and NZ, will recommence a review of Parliamentary Standing orders. The work was delayed due to the COVID outbreak and national General Elections. This work will strengthen the role of committees to provide crucial parliamentary oversight.

The Nauru Audit Office planned to recruit two principal auditors however, this has been delayed due to the long-lead time required for HR recruitment being impacted by COVID-19 restrictions. The office will continue to progress this recruitment until suitable candidates are secured.

The Customs Division was able to attain 70% physical inspections, with smuggled products seized and confiscated. High risk entities all receive inspection on 100% of their cargo, every time they receive goods. Nauru Customs Service has also worked with Nauru Post to implement a cargo booking system to identify dangerous goods and ensure customs duty is charged where necessary.

Cross-Goal 3: A transparent and fair land management system that supports social, economic and private sector development.

The Department of Lands Management aims to continue reducing the amount of undetermined land, which is facilitated via access to documents held or in possession by Australian institutions. The Land Survey and Land Committee Division will continue to establish a clear and fair system of land dispute negotiation and to determine all unclaimed lands to respective and correct land ownership. There are plans to update the Land Management Plan and Urban Planning Standards (what can be built and what standard it should be built to). In FY 23-24, the Department of Land Management have set targets to:

- complete the legislative system for valuation transfer, purchase, leasing of land and managing disputes,
- establish lease terms which are sufficient to attract significant investment via the Foreign Investment Bill, and
- document the percentage available for public purposes.

Government infrastructure has been plotted on the digital map, which will facilitate future asset mapping work relevant to infrastructure management.

Cross-Goal 4: Sustainable use and management of the environment and natural resources for present and future generations

The Department of Environment Management and Agriculture has completed the Nauru Land Degradation and Neutrality target setting exercise and found that 80% of land (approx. 1680 hectares) in Nauru is degraded. Currently, only 5% of the land (approx. 85 hectares) has been rehabilitated. The GEF7 Biodiversity and Land Degradation Project supported by the UNEP will support this work, and

the team is now 90% staffed. In FY 23/24, DEMA has set a target to rehabilitate 20% of the degraded land.

The project will also assist Nauru to identify and manage land and marine protected areas. In consultation with NRMFA, the project has identified at least 3 areas for management. On land, the DEMA plans to establish areas to protect rare flora and fauna, cultural and heritage sites and the habitats of food sources, such as Noddy birds, as well as develop national policies for land and marine protected areas.

This year, the Environment Management Division has employed two consultants to assist with the Implementation of Institutional Strengthening Project Enforcement of the regulations. Through this, the department was able to strengthen their institutional capacity and developed an environmental regulation. In the upcoming financial year, DEMA aims to conduct training on the Environmental Act for authorising officers and develop enabling regulations that focuses on Environment identification, management, and protection.

Cross-Goal 5: Build up resilience to combat the effects of climate change and natural disasters.

The Department of Climate Change and National Resilience (DCCNR) continues to make progress towards the development of the National Climate Change Policy (NCCP) Roadmap with the assistance of the DCCNR Climate Finance Adviser. The department has identified 5% of the critical infrastructure requiring climate proofing. The Infrastructure Department's Seawall division continues to construct seawalls on the badly eroded areas of the coastlines of Meneng, Anibare and Boe. In this fiscal year, they managed to construct and complete seawalls of 610m in Meneng, 70m in Anibare and 130m in Boe.