



# **REPUBLIC OF NAURU**

## **2024-25 BUDGET**

**BUDGET PAPER NO 2**

**CIRCULATED BY**

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**MINISTER FOR FINANCE**

**THE REPUBLIC OF NAURU**

**ON THE OCCASION OF THE BUDGET 2024-25**

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## PART 1 - ECONOMIC OUTLOOK

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

### ECONOMIC OUTLOOK

The Treasury uses the IMF World Economic Outlook to inform its forecasts of economic activity. Economic activity has been slowing between 2021 and 2024. It is expected to pick up again during 2024 and 2025 as the expansion of operations at the RPC filters through to the wider economy.

TABLE 1.2: KEY ECONOMIC INDICATORS

Item	2021-22	2022-23	2023-24	2024-25
Real GDP Growth (per cent change)	2.41%	1.19%	0.91%	1.84%
Nominal GDP (A\$ million)	202.0	216.0	228.5	239.5
Consumer Prices (period average, per cent change)	4.80%	6.12%	4.99%	3.72%

(Source: IMF World Economic Outlook April 2024)

### GLOBAL PROSPECTS

According to the latest IMF World Economic Outlook (April 2024<sup>1</sup>), The baseline forecast for global growth is for continued growth of around 3.2% for 2024 and 2025.

Beyond 2025, global growth is forecast to remain at around 3.1% over the next five years, which is “at its lowest for decades”. Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Core inflation is generally projected to decline more gradually.

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. As the activities related to the Regional Processing Centre continue to be unpredictable and may not be a reliable source of economic and revenue growth in the medium to long-term. Diversification of the economy remains 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 expansion of RPC activities will have a positive effect on Gross Domestic Product (GDP) growth, which is now expected to grow slowly to 1.84% for FY 2024-25. However, it is projected to bounce back to 2.3% in FY 2025-26, though this is likely to be even stronger as the effects of the RPC operations

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024>

filter through to the wider economy. The inflation outlook has followed global trends and is projected to remain on a medium-term declining trend, rising to 4.99% for FY 2023-24 and reducing to around 3.7% for FY 2024-25 and 2.98% in 2025-26. The nominal GDP estimate for FY 2024-25 is \$228.5m and this is projected to increase to \$239.5m for FY 2024-25.

The economic outlook looks promising with the impact of the expanded RPC activity, the adoption of new satellite-based internet products, the new climate resilient port, the commissioning of the solar farm electricity generation capacity, and the arrival of the undersea fibre optic cable in 2025. Global uncertainties remain around still-high commodity prices and higher than normal inflation, but changes in these are moving in the right direction for Nauru.

## KEY ECONOMIC STATISTICS

This part analyses 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)<sup>2</sup> 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%).

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<sup>2</sup>The 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
- ❖ External Sector Statistics
- ❖ Consumer prices
- ❖ Trade Statistics
- ❖ Labour Force statistics

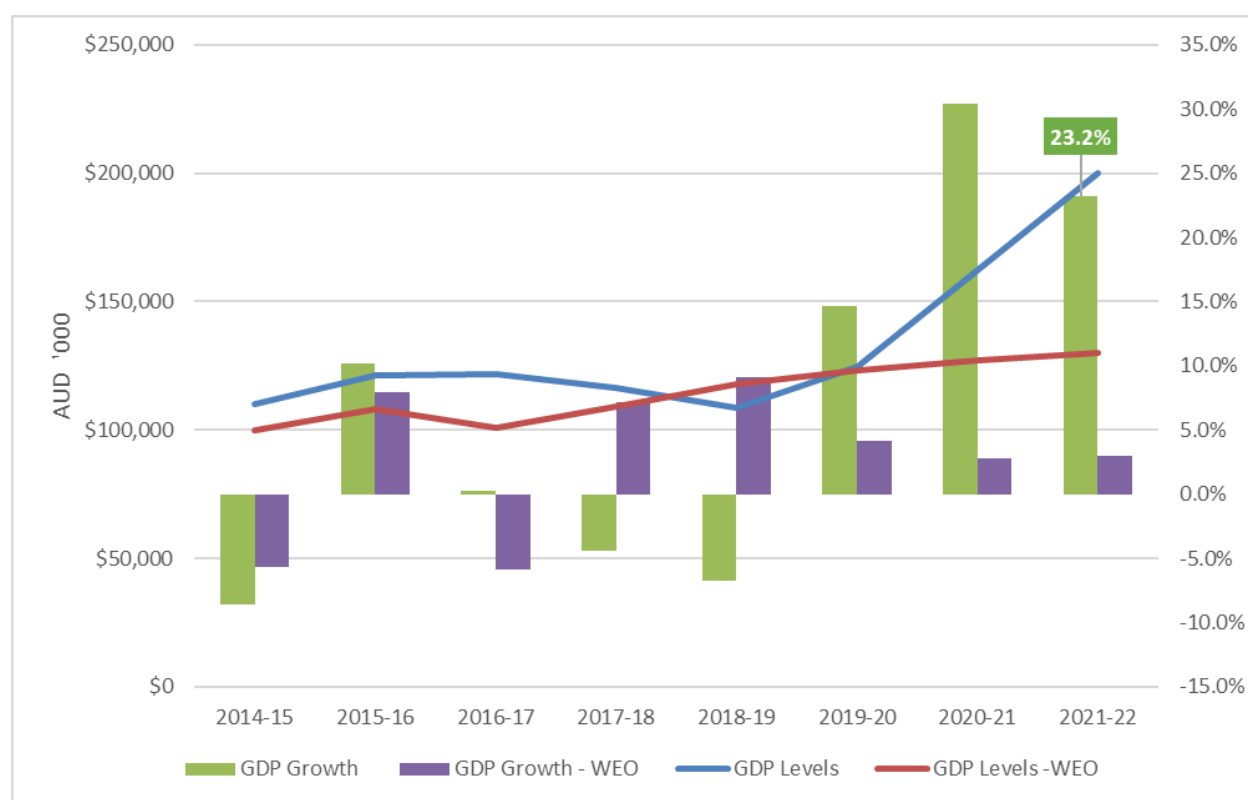
Nauru became a full member of the International Monetary Fund (IMF) in April 2016 and became the 189th country member to join. Membership in the IMF supports Nauru's economic management through improved data collection of macroeconomic statistics which are to be produced during the annual IMF Article 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) which derive the Balance of Payment & International Investment Position of the country, 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. GDP PERFORMANCE AT CONSTANT PRICES**



**Main points for GDP growth for FY 2021-22**

- ❖ Nauru’s gross domestic product (GDP) is estimated to have increased by 23.2% in Fiscal Year 21-22.
- ❖ Growth was concentrated in four areas; (1) **Manufacturing** which saw an increase in phosphate output due to new processes, (2) **Education** expenditure has doubled through increased in services, (3) a large increase in **Wholesale and Retail trade** indicated by a rise in sales, (4) Growth in output in **Health Services** through a boost in COVID-19 relief programs.

**Key findings:**

- **Manufacturing:** RONPHOS production shows a big leap in 2021 and another in 2022 (figures are 46,500 (in 2020), 232,571 (in 2021), and 353,309 (in 2022)) BUT we know they are using a new process. The old assumption was that intermediate consumption was the same proportion of Value added as in 2012-13 (about 42% taken from accounting records for that year) but the new process might use a lot more inputs which would imply Value Added was actually growing more slowly than output.
- **Education:** The FMIS estimates for expenditure on Education and TVET salaries showed a big jump in 2022. The figures in \$’000 are 12,421 (in 2021) and 22,455 (in 2022). The most important part of this was a rise 8,664 in the code “516101023092020 - Salary Expatriate” It appears likely that this represents a real increase in the educational services being delivered rather than just an increase in the wage rate. However, the effect is exaggerated by the use of the “Miscellaneous” Deflator (which

actually fell in those years) rather than the “All Items Deflator” which rose.

- **Wholesale and retail trade:** is calculated based on the rise in sales implied by the BPT and SBT receipts recorded in the FMIS system. The figures in \$’000 are 22,768 (in 2020), 22,279 (in 2021), and 33,906 (in 2022) ie flat in 2021 followed by a large rise in 2022. However, the tax methodology is a new introduction. The original methodology based on the landed value of goods imported shows a different pattern; 141,306 (in 2020), 199,811 (in 2021), and 169,543 (in 2022) ie a steep rise in 2021 followed by a drop in 2022.
- **Subsidies:** Subsidies in \$’000 dropped from -35,894 (in 2020) to -30,784 (in 2021) to -17,625 (in 2022). GDP = the sum of the gross value added at basic prices (ie the amounts receivable by the producer from the purchaser with any tax paid or subsidy received from the government taken off), plus the value of all taxes on products, less the value of all subsidies on products. So the lower subsidies leads to higher GDP. Data is from FMIS.

Chart 2.1 compares the Bureau’s estimates with data in the latest vintage of the International Monetary Fund’s World Economic Outlook (WEO) database. This comparison is particularly relevant due to using WEO data as a basis for discussions between government officials and IMF staff monitoring Nauru.

Data appearing in the WEO are based on the information gathered by IMF country desk officers and are updated in “WEO exercises” in April and October each year. Structural breaks in data are often adjusted to produce smooth series with the use of splicing and other techniques and are used as proxies for historical series when complete information is unavailable. As a result, WEO data can differ from other sources with official data, including the IMF’s International Financial Statistics. WEO GDP statistics for Nauru are labelled “Estimates Start After 2019”

The current WEO GDP series for Nauru differs from the Bureau’s estimates in two respects:

- ❖ Small differences in the years 2019-20 representing the use of earlier vintages of the Bureau’s data in the WEO and:
- ❖ A large difference in the WEO growth for 2021-22 and the Bureau's estimate.

All National Accounts are a trade-off between timeliness and accuracy so revisions due to the collection of additional data and methodological improvements are an essential feature of a functioning National Accounts system. Revisions to the Bureau’s estimates in future publications and updates to the WEO may bring the two series closer together<sup>3</sup>.

## External Sector Statistics

Table 2.1 and Table 2.2 below contain the balance of payments estimates for Nauru. Estimates were produced for FY2023. Some of the estimates for FY2022 were revised to reflect the latest available data.

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<sup>3</sup> The latest updates to the WEO database may be found at <https://www.imf.org/en/Publications/SPROLLS/world-economic-outlook-databases>

**Table 2.1. Nauru's Balance of Payment**

**Current and Capital Accounts (AUD\$Mn)**

	2022	2023	Change
<b>Current Account</b>	<b>39.35</b>	<b>55.59</b>	<b>16.2</b>
Credits	318.05	297.93	(20.1)
Debits	278.70	242.35	(36.3)
<b>Goods Balance</b>	<b>(84.9)</b>	<b>(61.7)</b>	<b>23.2</b>
Exports	62.3	51.1	(11.2)
Imports	147.2	112.8	(34.4)
<b>Services Balance</b>	<b>(34.0)</b>	<b>(39.8)</b>	<b>(5.8)</b>
Exports	53.8	44.9	(9.0)
Imports	87.8	84.7	(3.1)
<b>Primary Income</b>	<b>155.0</b>	<b>159.3</b>	<b>4.3</b>
Credits	168.4	170.4	2.0
Debits	13.3	11.1	(2.2)
<b>Secondary Income</b>	<b>3.2</b>	<b>(2.1)</b>	<b>(5.3)</b>
Credits	33.6	31.6	(2.0)
Debits	30.4	33.7	3.4
<b>Capital Account</b>	<b>61.2</b>	<b>28.0</b>	<b>(33.2)</b>
Credits	61.2	28.0	(33.2)
Debits	-	-	-
<b>Net lending (+) / net borrowing (-) (balance from current and capital account)</b>	<b>100.6</b>	<b>83.6</b>	<b>(17.0)</b>



- 1. The net lending/borrowing position from the current and capital accounts indicates a surplus for 2022 and 2023 with 100.6 and 83.6 respectively and the negative 17.0 indicating a decline in surplus on the current and capital account.**
- 2. The net lending position resulted from a surplus in primary income and the capital account.**

The largest transaction for primary income reflects the transactions of the economy with the Refugee Processing Center (RPC) and the capital account reflects grants that are received from non-residents. Information on these transactions is obtained from Budget Paper No. 1.
- 3. Goods, services, and secondary income balance are negative.** The balance on these accounts indicates that goods imports of the economy are larger than goods exports and secondary income debit transactions are larger than secondary income credit transactions. The main source of data for services and secondary income transactions are the Budget documents. Information on imports is used to estimate service debits for insurance and freight charges.
- 4. Data used to compile the goods account is obtained from the United Nations Database on Commodity Trade Statistics (COMTRADE) database.** Monthly information for July 2022 to June 2023 was used to estimate imports and exports. Adjustments were also made to the COMTRADE data to include estimates of imports and exports of countries that report data on an annual basis. Information from the annual reports was used to estimate trade in goods between Nauru and these countries for the fiscal year ending June 2023.
- 5. Exports were estimated from information on imports from Nauru by trading partners.** Information from trading partners on imports from Nauru includes the cost of insuring and transporting the goods to their country. Insurance and freight charges were estimated and deducted from the total value of imports from Nauru to estimate goods exported by Nauru for 2023. Exports were also further adjusted to include data on exports of fuel and other goods sold to the RPC and to non-resident airlines and vessels. Exports were also adjusted to remove the values for fish exports. These transactions reflect the activities of vessels that are operated by non-residents under the flag of Nauru. Non-residents register vessels in Nauru and are allowed to operate using the flag of the country.
- 6. Nauru imports were estimated from information on exports to Nauru by trading partners.** Estimates were made for insurance and freight costs which were included in the estimation of services debits.

**Table 2.2 Nauru's Balance of Payment**

**Financial Accounts (AUD\$MN)**

	2022	2023	Change
<b>Financial Account</b>			
<b>Net lending (+) / net borrowing (-)</b>	<b>89.7</b>	<b>64.8</b>	<b>(24.9)</b>
<b>Direct Investment</b>	<b>38.2</b>	<b>19.9</b>	<b>(18.2)</b>
<b>Net Acquisition of Financial Assets</b>	<b>25.2</b>	<b>22.1</b>	<b>(3.0)</b>
<b>Net Incurrence of Liabilities</b>	<b>(13.0)</b>	<b>2.2</b>	<b>15.2</b>
<b>Portfolio Investment</b>	<b>44.9</b>	<b>34.4</b>	<b>(10.5)</b>
<b>Net Acquisition of Financial Assets</b>	<b>44.9</b>	<b>34.4</b>	<b>(10.5)</b>
<b>Net Incurrence of Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Investment</b>	<b>(59.7)</b>	<b>19.8</b>	<b>79.4</b>
<b>Net Acquisition of Financial Assets</b>	<b>(30.1)</b>	<b>30.9</b>	<b>61.0</b>
<b>Net Incurrence of Liabilities</b>	<b>29.5</b>	<b>11.1</b>	<b>(18.4)</b>
<b>Reserve assets</b>	<b>66.3</b>	<b>(9.3)</b>	
<b>Net Errors and Omissions</b>	<b>(10.9)</b>	<b>(18.9)</b>	

- 7. The positive value for net lending/borrowing position from the financial capital account indicates a surplus for 2023.** The financial account indicates how the surplus on the current account was invested. The largest components of the financial account are investment in Nauru Airlines by the government (direct investment), the Nauru Intergenerational Trust Fund (portfolio investment) and currency and deposits of the government. The main data sources for compiling the financial account are the budget, financial statement of Nauru Airlines and cash monitor documents.
- 8. Estimates of international investment positions were developed for FY2023.** This measures a country's stock of external financial assets and external financial liabilities. The positions were developed for the end of June 2023, which is the end of the fiscal year.

**Table 2.3. Nauru's International Investment Position**

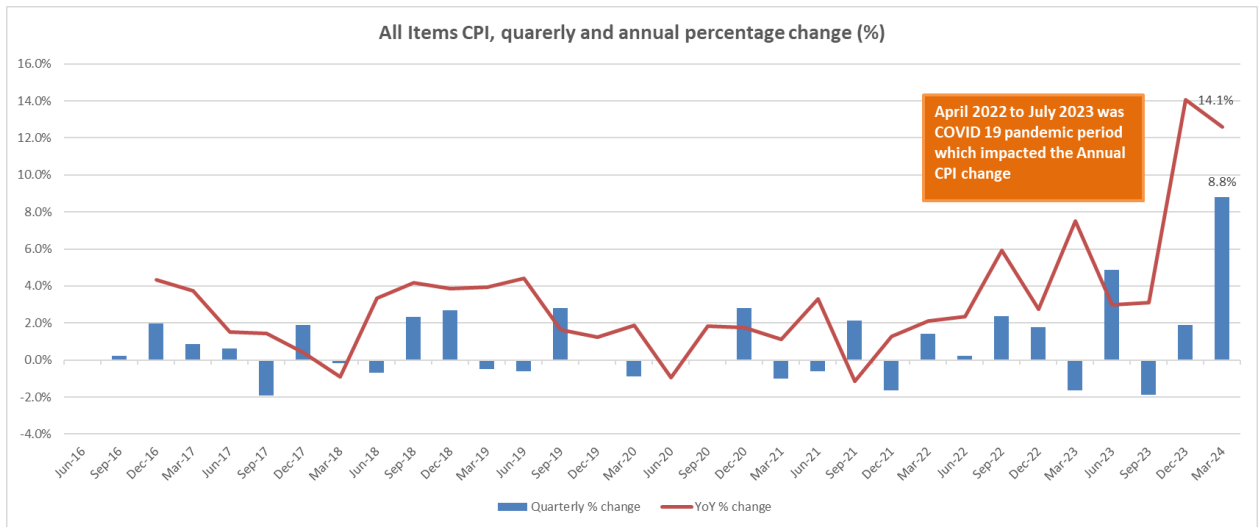
**(AUD\$M)**

	<b>2022</b>	<b>2023</b>
<b>Net Position</b>	<b>482.2</b>	<b>547.1</b>
<b>Assets</b>	<b>613.4</b>	<b>678.7</b>
Direct Investment	77.0	99.1
Portfolio Investment	199.5	220.9
Other Investment	224.2	255.1
Reserve assets	112.6	103.6
<b>Liabilities</b>	<b>131.2</b>	<b>131.6</b>
Direct Investment	4.7	6.8
Portfolio Investment	0	0
Other Investment	126.5	124.8

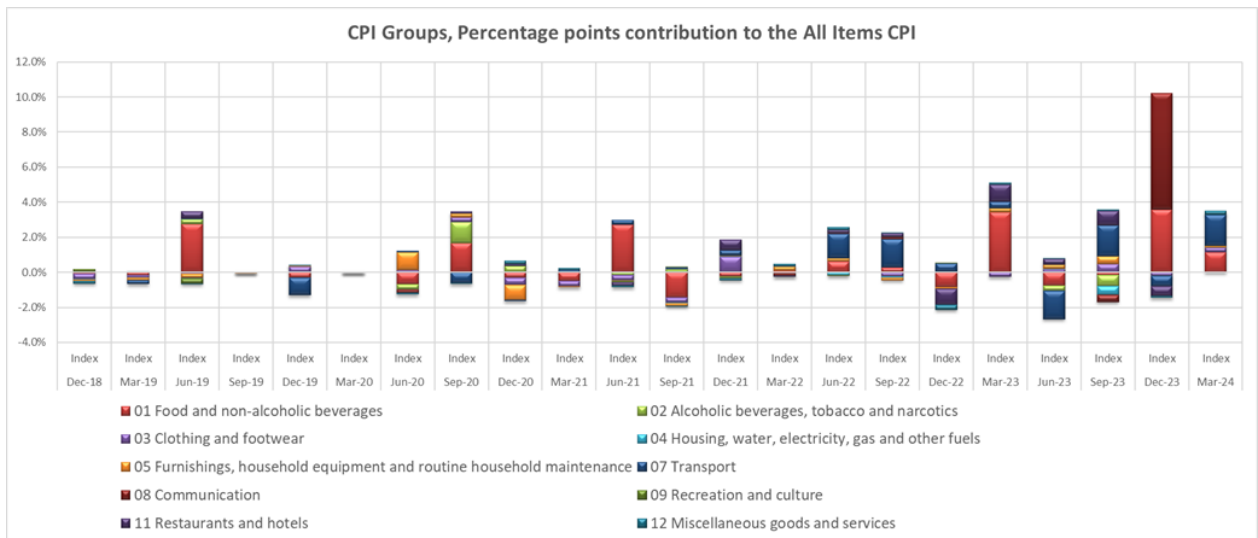
### **Consumer Price Index (CPI)**

The CPI measures Nauru's inflation changes since the rebase in December 2015, as shown in Chart 3.1. The chart illustrates the fluctuations for each quarter in terms of both quarterly and Year on Year (YoY) percentage changes. It indicates that the highest quarterly change in the time series occurred in March 2024 at 8.8%, while the highest YoY percentage change peaked at 14.1% in December 2023. The global disruption caused by the COVID-19 pandemic, which lasted from April 2022 to July 2023 for Nauru, significantly impacted Nauru's supply chains, leading to increased consumer goods and services costs.

**CHART 3.1 ALL GROUPS CPI HISTORICAL TREND**



**CHART 3.2 CPI Annual Percent Change by Major Factors**



In Chart 3.2, the All-Items CPI percentage point contribution by quarter is shown. In December 2023, Communication saw an increase of 6.6%, and the Food and non-alcoholic beverages groups had a 3.6% increase, making them the major contributors to the rise of the CPI for the period. This increase was offset by small decreases in percentage points for Transport, Restaurants and hotels, and Clothing and footwear, resulting in an 8.8% quarterly change for December 2023. Similarly, in the March 2024 quarter, Transport increased by 1.8%, Food and non-alcoholic beverages by 1.1%, Clothing and footwear by 0.3%, Miscellaneous goods and services by 0.2%, and Furnishings, household equipment, and routine maintenance household maintenance by 0.1%, all playing a significant role in the All-items quarterly change of 3.5%.

**Chart 3.3 Food and Non-Alcoholic beverages by Percentage points contribution for highly weighted subgroup components.**

Based on the Consumer Price Index (CPI) weights, the Food and non-alcoholic beverages group holds the most weight, constituting 45.6% of the overall CPI. Given its significance, it's important to analyse the trends within this group to understand the movement of the highly weighted goods and services.

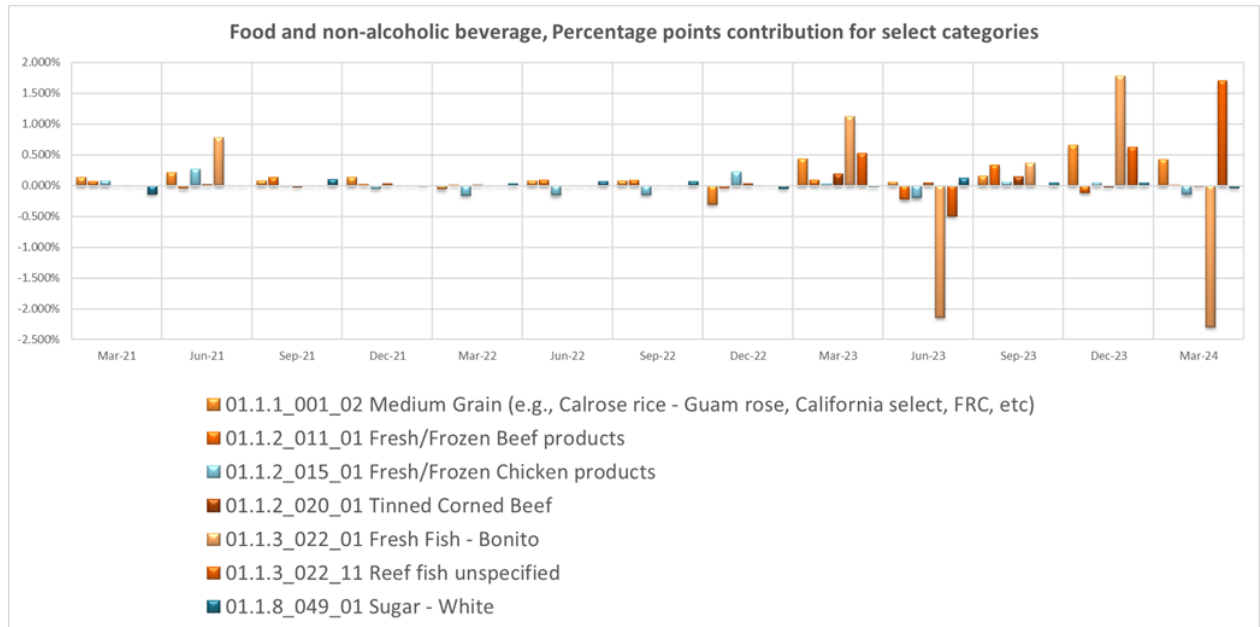


Chart 3.3 illustrates the time series for the top seven important commodities in the Food and non-alcoholic beverage group. The time series shows minimal fluctuations in the studied commodities from March 2021 to December 2022. However, volatility increased from March 2023 to the present period. During this time, rice, the most significant commodity among all CPI items, consistently showed a compound growth of 1.7%.

The prices of frozen beef and chicken have shown minimal fluctuations since March 2023. Evidence indicates that the price of corned beef has remained relatively constant. Fresh bonito has fluctuated over the observed period, with significant decreases of 2.1% in June 2023 and 2.3% in March 2024; however, these were offset by increases in September 2023 and December 2023.

The market price of reef fish has remained relatively stable over the period, experiencing a sharp increase of 1.7% in March 2024. Sugar prices have also remained stable, with a negligible decline of -0.04% in March 2024.

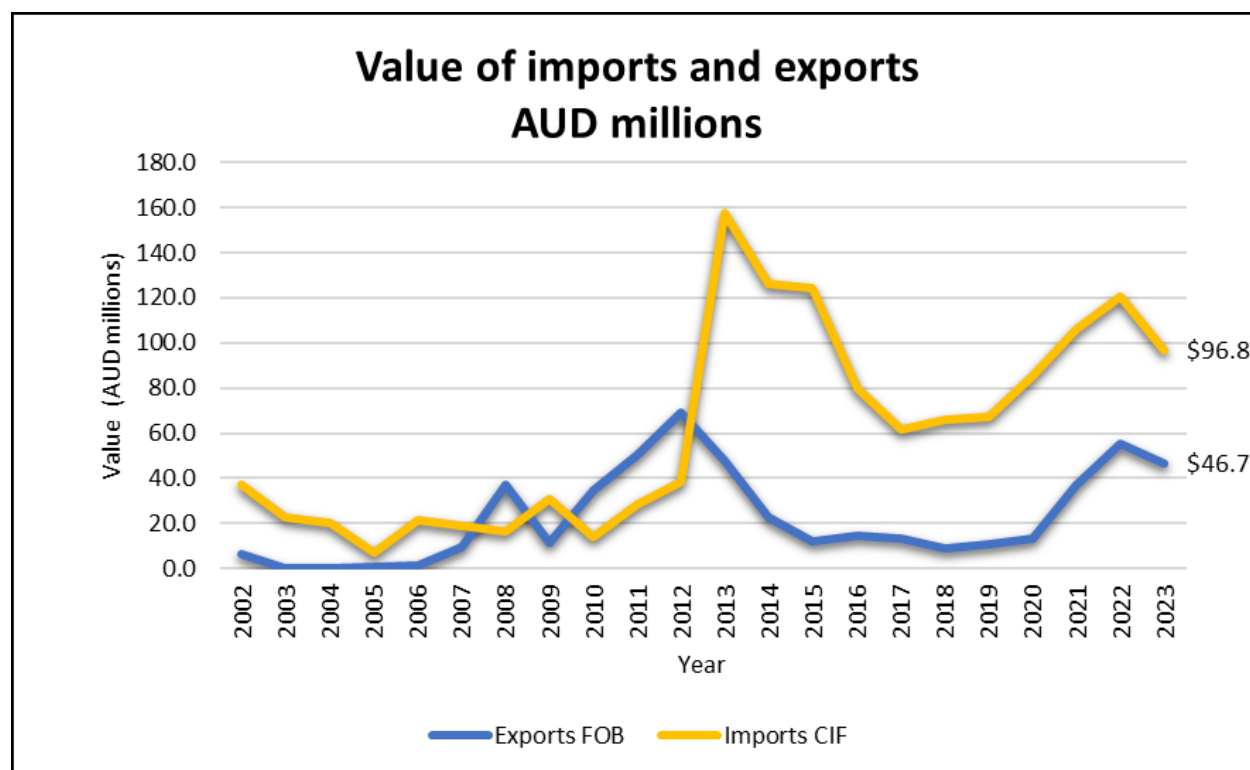
## International Merchandise Trade Statistics (IMTS)

The Nauru Bureau of Statistics (NBS) uses data sources from mirror data platforms primarily from the UN Comtrade Trade database (<https://comtrade.un.org/data/>) and some local establishments to compile Nauru's International Merchandise Trade Statistics (IMTS) from 2017 to 2023. The Nauru Customs Services adopted and implemented the new ASYCUDA system in the fourth quarter of 2023 and will be used as the main source for IMTS compilation beyond 2024.

According to the Comtrade database, Nauru's major trading partner countries of consignment in recent years 2017 to 2023 are Australia, Japan and China and the following analysis was sourced from the updated IMTS latest release 2024 prepared by the Nauru Bureau of Statistics.

## VALUE OF IMPORTS AND EXPORTS

CHART 4.1: VALUE OF IMPORTS AND EXPORTS



**Export:** As per Chart 4.1, exports have shown a consistent increase since 2002, reaching a peak of AUD 69.9 million in 2012. In 2022, exports reached the second-highest value on record at AUD 62.1 million due to increased phosphate output and, to a lesser extent, the resale of fuel to non-resident entities. However, in 2023, export growth slowed to AUD 46.7 million or a decrease of 33% when compared to 2022 due to a reduction in phosphate output. On the other hand, the resale of fuel increased due to the heightened activities of Nauru Airlines and other non-resident entities.

**Imports** Nauru continues to rely on imports of goods and services as a major source to sustain the economy. The total imports for 2023 are AUD96.8 million, a decline of AUD23.8 million or a decrease of 20% when compared to the 2022 total imports of AUD120.6 million. The major factors for the decrease from the two observed periods are the combination of the declining major commodities as follows:

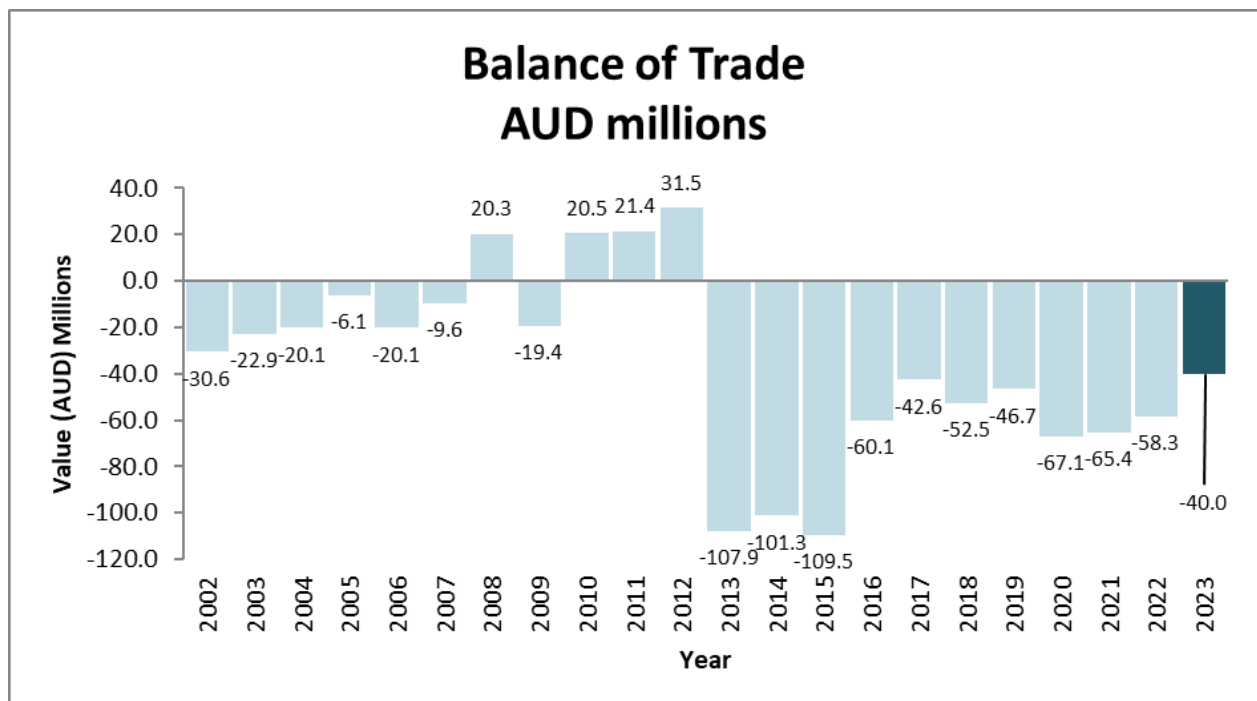
- Footwear, headgear, umbrellas & parts thereof: -72%
- Wood, cork & articles thereof & plaiting material: -56%
- Miscellaneous manufactured articles: -52%
- Others: -46%
- Footwear, headgear, umbrellas & parts thereof: -44%
- Animal or vegetable oils & fats: -42%

### Balance of Trade

The Balance of Trade (BOT) time series, as shown in Chart 4.2, indicates a consistent trade deficit over the past decade, starting from 2013. The only trade surpluses were recorded in the years 2008 and 2010 to 2012. Particularly, the years 2013 to 2015 saw the highest deficit period, with AUD-107.9, AUD-101.3, and AUD-109.5 million, respectively. During this time, Nauru imported a significant amount of capital goods, heavy machinery, equipment, cement, and oils. This surge in consumption can be attributed, in part, to the reinstatement of the RPC in 2012.

In 2023, the deficit continued to decrease from 2020, with a deficit of AUD-40.0 million compared to the previous year's AUD-58.3 million, marking a difference of AUD-18.3 million or a decrease of -31.4%.

**CHART 3.2 BALANCE OF TRADE**



## Labour Force Statistics

**Table 3.1. Proportion of Employees by Locals and Expatriates by Employer in the Public Service, State Owned Entities and the Private Sector, 2013-2016, 2019-2023**

PROPORTION OF LABOUR FORCE BY EMPLOYER AND PERIODS 2013-2016, 2019-2023

EMPLOYER	TOTAL (%)									LOCAL (%)	EXPAT (%)
	Y2013	Y2014	Y2015	Y2016	Y2019	Y2020	Y2021	Y2022	Y2023	Y2023	Y2023
<b>RON Government</b>	38.6	43.5	44.0	45.1	51.3	39.9	42.4	47.0	45.1	42.1	3.0
<b>Regional Processing Centre (SOE)</b>	7.0	32.0	31.1	29.3	22.4	19.9	16.6	1.3	5.2	5.0	0.2
<b>Ronphos (SOE)</b>	15.1	9.6	9.8	9.2	8.9	6.3	7.9	9.6	11.2	10.8	0.4
<b>Eigigu Holdings (SOE)</b>	12.3	7.8	8.2	9.2	6.9	8.3	8.6	6.7	8.1	7.3	0.8
<b>Nauru Rehabilitation (SOE)</b>	9.7	5.6	5.3	5.3	3.6	3.1	4.1	3.7	3.3	3.3	0.1
<b>Nauru Airlines (SOE)</b>	1.3	1.5	1.5	1.9	2.8	2.5	1.6	2.5	2.8	2.8	0.0
<b>Nauru Utilities (SOE)</b>	0.0	0.0	0.0	0.0	4.0	4.2	5.1	4.8	5.7	5.4	0.3
<b>Eigigu Solution (SOE)</b>	0.0	0.0	0.0	0.0	0.0	15.8	13.7	11.1	7.6	6.9	0.8
<b>NFMRA (SOE)</b>	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	2.2	2.2	0.0
<b>NMPA/NSL (SOE)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	2.6	2.2	0.3
<b>Vital</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.0
<b>Nauru Post Service (SOE)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.2	1.2	0.0
<b>Private Sector</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.1	4.7	3.0	1.7
<b>TOTAL</b>	3,086	4,699	4,745	4,760	4,082	3,503	3,468	3,667	3,558	92.3	7.7

Sources: Derived from administrative sources

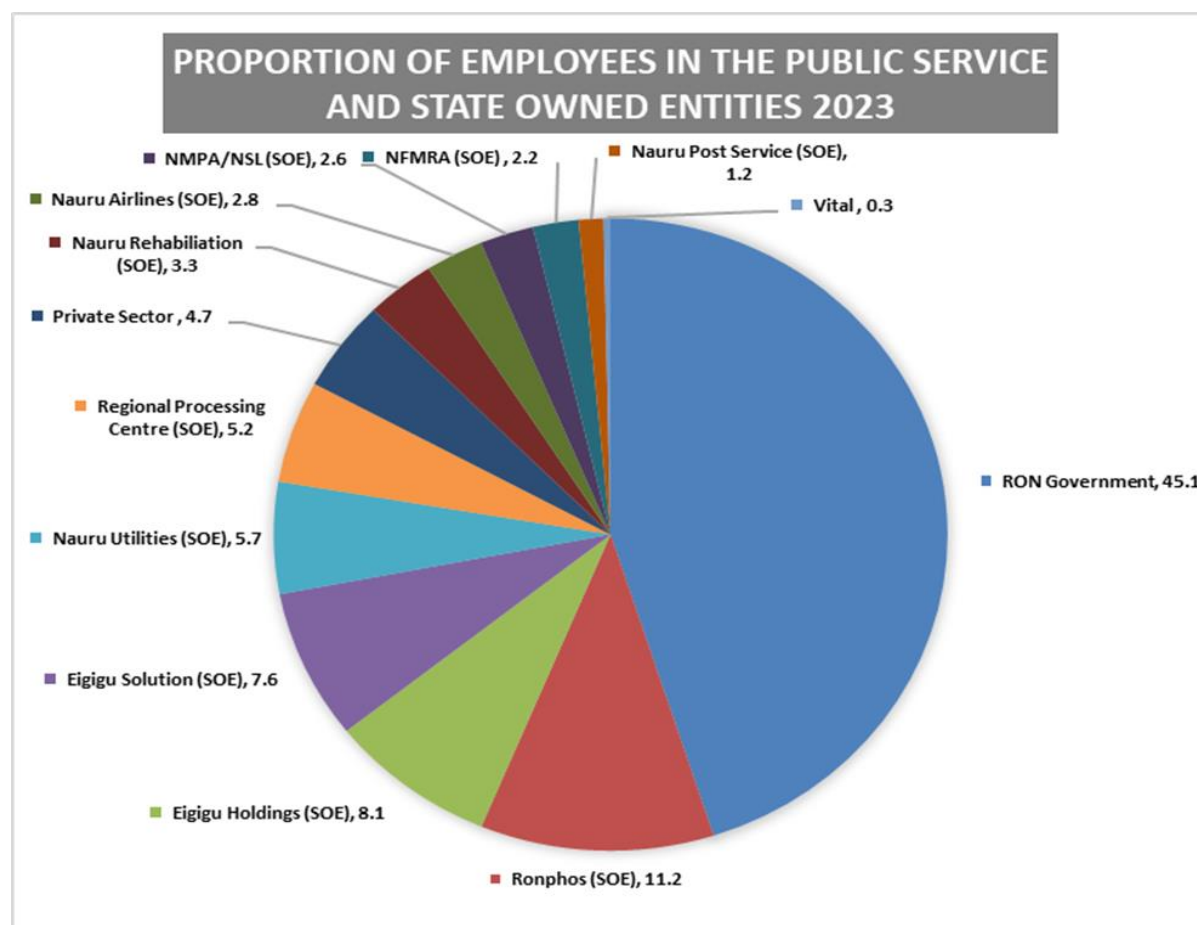
Note:

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
3. Nauru Airlines are Nauru-based only

Table 3.1 represents the breakdown proportion of employees by Local and expatriate staff by respective agencies. Agencies with the highest number of employees are employed at the RON Government and State-Owned Entities (SOE):



**CHART 3.3 PROPORTION OF LABOUR FORCE BY AGENCIES 2023**



Source: Administrative data

- **RON Government**

Employs the majority number of employees than any other agencies from 2013-2016 and 2019-2023 as shown in Table 2.2 and Chart 2.17. RON Government represents all Government Departments in the public service umbrella including CLOs.

In 2020, the government accounted for 39.9% of the total workforce, which was 3,503 employees. This percentage increased to 42.4% in 2021 from 3,468 employees. In 2022, the percentage rose and peaked to 47.0% out of a total estimate of 3,667 employees. However, in 2023, it decreased to 45.1% of the 3,558 labour force.

- **Eigigu Solution Corporation**

ESC has been one of the major agencies since its establishment, hiring local and expatriate staff for the people of Nauru.

In 2020, 15.8% of the total workforce of 3,503 were ESC employees. This percentage decreased to 13.7% of 3,468 in 2021 and further declined to 11.1% of an estimated total of 3,468 in 2022. The declining trend is due to the winding down of RPC in recent years, as evidenced by the proportion

significantly dropping to 7.6% of the 3,558 workforce for 2023.

- **RONPHOS Corporation**

Ronphos' share of the labour market has been decreasing since its peak in 2013 when it was at 15.1%. In 2020, the corporation's labour market share hit its lowest point at 6.3%. However, recent company growth and enhanced recruitment initiatives have helped to regain the labour market shares for the years 2021 to 2023, reaching a peak at an 11.2% share of the labour market.

The percentage of Ronphos employees as a proportion of the total workforce was 6.3% in 2020, with a total of 273 employees out of 3,503 labour force. This percentage gradually increased to 7.9% in 2021, with a total labour market of 3,468 employees, and continued to rise to a 9.6% market share in 2022, with an estimated total of 3,462 labour force. The job market continued to grow for the company in 2023 with an 11.5% increase, the second-highest level since it peaked a decade ago.

- **Nauru Regional Processing Centre**

In 2015, RPC saw a decline in its share of the labour market, and this decline continued in the following years, reaching its lowest point in 2023 with a 5.2% market share. The decreasing number of employees indicates a trend of phasing out their operations.

In 2020, the labour market share for RPC was 19.9% out of a total of 3,503 workers. This share declined to 16.6% in 2021 out of a total of 3,468 workers and continued to decrease to 1.3% out of the total estimated 3,667 in the following year, 2022. RPC's labour market share was further reduced to a single digit in 2023, with 5.2%.

- **Nauru Utility Corporation**

The number of employees at NUC has remained relatively stable, representing a labour market share ranging between 4 to 6 percent between the period 2020 to 2023.

In 2020, NUC had 4.2 percent of the total 3,503 employees. This proportion increased to 5.1 percent in 2021 out of 3,468 employees. The following year, in 2022, the proportion slightly decreased to 4.8 percent out of an estimated total of 3,667 employees. However, in 2023, the market share increased to 5.7% out of a total workforce of 3,558.

- **Nauru Airlines Corporation**

The NAC is only accounting staff numbers located in Nauru. The number of NAC employees has been steadily increasing since 2013 but experienced a decline in 2020-2021, and then increased again in 2022 and 2023.

In 2020, the proportion of NAC employees was 2.5% of the total 3,503 employees, declining to 1.6% in 2021 out of an estimated total of 3,468. In 2022, it increased to 2.5% of the actual total estimate of 3,667 employees. In 2023, the market share slightly increased to 2.8% out of a total of 3,558 employees.

- **Nauru Rehabilitation Corporation**

The Nauru Rehabilitation Corporation (NRC) is responsible for managing rehabilitated lands, constructing seawalls, and providing aggregates for various land projects such as housing, port development, and the higher ground initiative.

In 2020, NRC employed 3.1% of the total 3,503 workforce. This percentage increased to 4.1% in 2021, with an estimated total of 3,468 workers. However, NRC's market share declined to 3.7% in 2022, based on the actual total estimate of 3,667 workers. Their market share decreased again in 2023 to 3.3%.

- **Eigigu Holding Corporation (EHC)**

The umbrella company of Eigigu Holding Corporations comprises the following subsidiaries:

1. Eigigu Headquarters
2. Eigigu Supermarket
3. Eigigu Civic Centre
4. Menen Hotel
5. Eigigu Enterprise

In 2020, the percentage of employees at EHC was 8.3%, which slightly increased to 8.6% in 2021. However, the percentage then declined to 6.7% in 2022 out of a total of an estimated 3,667 employees. Subsequently, it increased back to 8.1% in 2023 out of an estimated total of 3,558 employees.

- **Nauru Maritime & Port Authority (NMPA)/Nauru Shipping Line (NSL)**

The NMPA/NPL employed 2.3% of the total 3,667 employees in 2022, which increased slightly to 2.6% with the labour market consisting of 3,558 employees in 2023.

- **Nauru Fisheries & Marines Resource Authorities (NFMRA)**

NFMRA's employee proportion increased from 1.9% in 2022 to 2.2% in 2023 out of 3,558 total employees.

- **Nauru Post Office**

Nauru Post's workforce represents 1.7% of the total 3,667 employees in 2022, decreasing to a 1.2% market share in 2023.

- **Private Sector**

The private sector includes private businesses such as subcontractors, retail stores, restaurants, and other small businesses. This labour force category was introduced in 2022 and accounted for 7.1% of the labour force. However, it slightly declined in 2023 to 4.7% due to the limited coverage of the private sector.

## **PART 3 – PUBLIC ENTERPRISES**

Government investments in State owned Enterprises (PE) 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 PE liabilities or debt is equally important to safeguard against fiscal risks and guarantee sustainability of entities in the long-term.

The list of Public Enterprises under the PE Act is as follows;

### State-owned enterprises

1. Cenpac Corporation
2. Eigigu Holdings Corporation
3. Naoero Postal Services Corporation
4. Nauru Air Corporation
5. Nauru Ports Authority
6. Nauru Rehabilitation Corporation
7. Nauru (RPC) Corporation
8. Nauru Utilities Corporation
9. RONPHOS

### Government controlled enterprises

1. Nauru Fibre Cable Corporation
2. Nauru Fisheries and Marine Resources Authority
3. Nauru Tourism Corporation

While companies continue to grow, PEMU has seen the establishment of certain other entities that could be identified as a subsidiary or a public enterprise entirely on its own. Current PEs may have experienced a change in business dynamics and structure and therefore also require more analysis in their classification. This is something PEMU needs to embark on in future so that once clear classifications are made on all entities, then responsibilities of such an entity/subsidiary will be much clearer in relation to their mandate.

The Public Enterprise Act that came into effect in 2019 strengthens the monitoring of PEs and ensures improved financial performance and operational efficiencies. Government will continue to report on all PEs as they are 100% owned by the GON. The performance of the PE sector in Nauru did well initially despite the global challenges mainly with global economic recovery from covid, inflation and volatile fuel prices but based on the information received by PEMU, the continued challenges from inflation and volatile fuel prices, paired with challenges in management, has seen some Public Enterprises continue to suffer to the point where their going concern is being threatened. Since the election of late 2023, a familiar practice which sees a change in Board of Directors due to the change in the responsible Minister occurred in a number of public enterprises. This could be beneficial or detrimental to the PE, depending on the knowledge, experience and future performance of the newly appointed directors. One thing is certain, there will be challenges due to the change of majority of Directors that can affect the on-going operations of the business. The remaining presence of the RPC facility on the island has boosted business for all commercial enterprises and especially PEs.

Given the uncertain economic outlook moving forward, the need to improve the resilience of Nauru's economy, and the significant Government investment in PEs, it is important that PEs are as efficient and effective as possible in providing goods and services to the community. Inefficient PEs 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 PEs 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 the PEs sector remains strong. This includes the focus of increasing the reporting compliance of all PEs, improving the communication between PEs and the Government, strengthening Board of Directors, reinforcing CSO frameworks and agreements and identifying the fiscal risks involved in the PEs sector from a national perspective.

### **Public Enterprise Reform**

Governments in collaboration with ADB are developing a Governance framework to enhance the operations of PE. 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 PE performance and reducing the need for additional government support. It will place high expectations on PE 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 Responsible Ministers can comment and add direction relating to government policy or national strategy to the SCI.

To provide Summary Reports to Ministers (which are tabled in Parliament) and summary financial reports (which need to be "published") PEMU requires a submission of a PE's;

1. Statement of Corporate Intent (current year)
2. Annual Report (current year)

Based on the goals and strategies of a PE from their SCI, PEMU reviews what a PE has actually achieved from the results of their Annual Report and uses this information to evaluate their performance and therefore be able to provide the Summary Report to Ministers.

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 PEs consistent with international better practices.

Importantly, the PE Act makes clear that the primary objective of a PE 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 PEs align their corporate plans along that vision.

The PE Act provides for the circumstance where the achievement of social objectives might undermine the ability of a PE 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 businesses, small to large and whether privately owned or PE.

PEs 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, PEs 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.

## Cenpac Corporation

As outlined from Cenpacs Budget proposal 24/25, three main goals for Cenpac Corporation's development and success are;

1. To provide all Nauruans with a notable increase in the quality of their broadband service.
2. To solve Nauru's dearth of high-speed internet, especially outside of urban areas
3. To transform the telecom industry. With Cenpac, all Nauruan homes, businesses, and enterprises will be able to receive high-speed broadband through

Currently, Cenpac's will connect its major clients using point-to-point lines and fiber optic cable. Should one of the links on the internet malfunction, these will offer redundancy. Clients of Cenpac will be moved to the alternative path right away, ensuring minimal downtime and service delivery continuity.

In addition to providing backbone services for other internet providers or local coverage for our customers, Cenpac also offers related services such as website building, website hosting (domain), mail hosting, computer sales, and printing services.

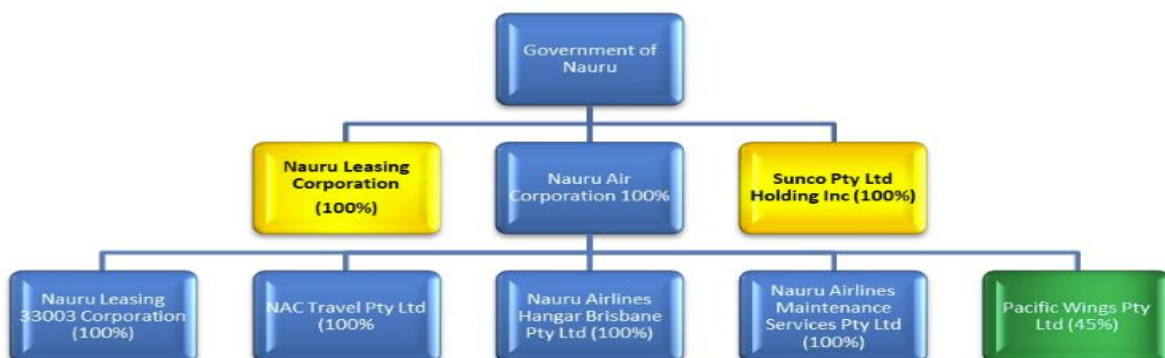
## NAURU AIRLINES CORPORATION

The goal of NAURU AIRLINES is to link Australia and the surrounding Pacific countries with passenger and freight aviation services. Its main goal is to provide these services as safely as possible while adhering to the highest international aviation regulations. The Corporation wants to provide commercially viable air services to Nauru. 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 has the following wholly-owned subsidiaries registered in Australia:

1. NAC Travel Pty Ltd (trading as Our Travel)
2. Nauru Airlines Hangar (Brisbane) Pty Ltd, which leases an aircraft hangar facility to the airline
3. Nauru Airlines Maintenance Services Pty Ltd (not trading)
4. Pacific Wings Pty Ltd (not trading) where it holds a minority interest of 45%.



NAC in accordance with the SCI has remained a going concern throughout the covid years. The post-covid landscape now

presents its own unique challenges which can be summed up in one word. Competition!

The Board and senior leadership group has conducted its high-level strategic planning activities, and the new direction will

be presented in the annual Business Plan. Chief amongst its strategy will be the Building of New Business in order to

further mitigate against the risk of reduced revenue gained from its current operations.

The strategic context for 2025 and beyond.

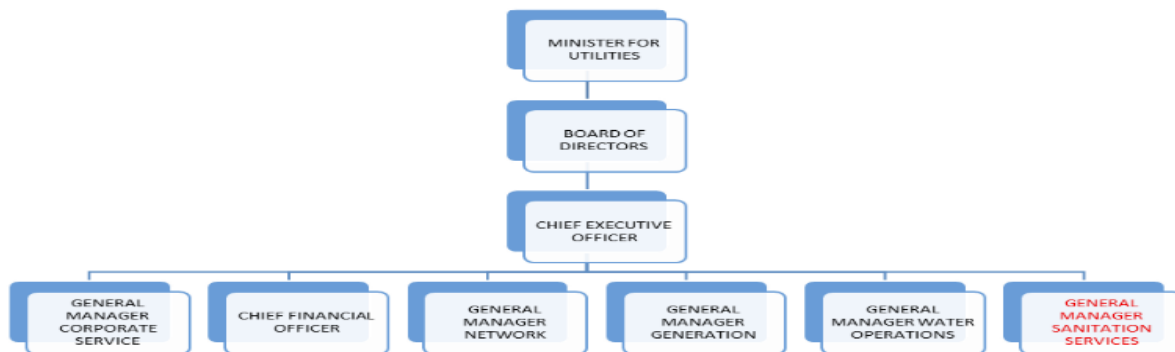
- The post covid aviation environment for the short to medium term.
- Enhancing NAC’s RPT route network
- Meeting the Shareholder’s Expectations
- Extra freight capacity and completing the fleet renewal program.
- Maintaining the culture of performance, valuing staff, and customers whilst
  - delivering NAC’s dual role for the people of Nauru and,
  - ensuring a sustainable, financially sound, and commercially viable operation

**NAURU UTILITIES CORPORATION**

Nauru receives water and energy services from NUC. Water is transported to the final consumer from a desalination plant as part of the energy supply, which is a combination of solar and diesel power generation. On August 1, 2011, the Nauru Utilities Corporation (NUC) was founded in accordance with the Nauru Utilities Act 2011 (the Act). The Nauru Utilities Authority was replaced by NUC. The Act outlines the Corporation's responsibilities for providing water and energy services.

Makur Dogin Naoero, which translates to "Work for Nauru," speaks to workers' hearts and gives their labor purpose while encouraging great performance. Our vision is that our people work for their fellow Nauruans, their families, especially their children and grandchildren, and future generations in order for us to be a high-performing organization that provides great service to the people of Nauru. In keeping with the vision, the NUC's objective is to "Achieve Nauru's Utopia: providing safe, dependable, affordable, secure, and sustainable electricity and water supply through a united effort and doing things right the first time."

The company structure along with the employee profile to 31 December 2023 compared to the 2022 financial year is shown below.





Category	2022		As at December 2023	
	Number	Percentage	Number	Percentage
Male	139	75%	155	75%
Female	37	20%	50	24%
Expatriate	7	3%	10	4%
<b>Total Number of Staffs</b>	<b>183</b>	<b>100%</b>	<b>205</b>	<b>100%</b>

## Strategy

To reduce fuel expenses from the electricity department, NUC is targeting to complete the new 6MW solar farm project. The latest project construction program has indicated the project to be completed on the 28<sup>th</sup> of December 2023. This is a slip of 11 months from the original completion date.

## EIGIGU HOLDINGS CORPORATION

Eigigu Holdings Corporation in the new financial year of 2024/25 will see major changes in terms of operational streamlining. From the initial 7 subsidiaries of EHC decreased to 6 subsidiaries. The main objective of this company restructuring is to ensure efficiency in its operations and most importantly to avoid duplications in their service.



## Going forward

EHC has struggled to provide essential reports to PEMU as required by the PE act. It did manage to receive the Half Year Report FY 23/24 and this is a good sign for EHC as it could signify the start of a positive momentum towards its reporting compliance. Furthermore, PEMU keeps close communications with EHC to ensure they are on the right track towards establishing themselves a good position to be able to provide up to date audited financial reports.

## Nauru Postal Services Corporation

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.

As a state owned enterprise, the mission of Nauru Post is to offer Nauru a wide variety of sustainable and cost-effective services that will help to strengthen the nation's pride and identity, as well as international recognition of the country, its people, and its culture.

## NPSC Strategy

Looking ahead to the financial year (FY 24/25), it is expected that in order to further support the NSDS objectives, which are designed to promote the growth of businesses and investment on the island, and to support the growth of tourism, the role of the National Post is set to become increasingly important. Nauru Post will focus on 4 major strategies that will seek to improve its financial position.

- A new dedicated philatelic office as well as new funding for specialised philatelic consultancy work is planned for FY 25 to support development of increased philatelic activities into Fy 25/26.
- With the establishment of a new warehouse in Brisbane and the Frigate Post Logistics Warehouse, Nauru Post is moving forward with new plans to greatly improve logistics handling both on the island and in Australia.
- The Nauru Post Shops will keep providing basic stationery and IT items in FY25 and will look at expanding their offerings.
- The Nauru Post Support Services offered by the Garage are in high demand. There will be more investments made in FY 25 to buy new equipment

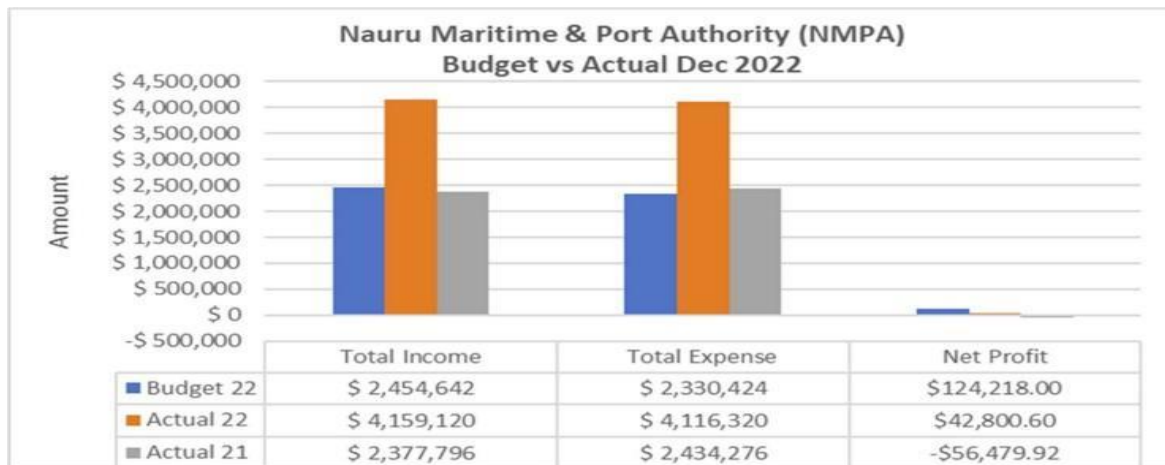
## NAURU PORT AND MARITIME AUTHORITY

The Port Authority of Nauru became a PE 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 NMPA 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
<b>Nauru Maritime Port Authority</b>						
Nauruan	55	65%	14	16%	69	81%
Expatriate	7	8%		0%	7	8%
Project Management Unit	1	1%	3	4%	4	5%
<b>Nauru Shipping Line</b>						
Nauruan		0%		0%	0	0%
Expatriate	2	2%	1	1%	3	4%
Deployed from NAC	1	1%	1	1%	2	2%
<b>Total</b>	<b>66</b>	<b>78%</b>	<b>19</b>	<b>22%</b>	<b>85</b>	<b>100%</b>

## 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. The income statement shows that 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)
<b>Gross Profit/(loss)</b>		<b>(4,333,980)</b>	<b>100,969</b>
Other operating income	2	3,940,158	205,804
Depreciation expense		(180,445)	(154,171)
Administration expense	3	(477,477)	(296,351)
<b>Operating loss before tax</b>		<b>(1,051,745)</b>	<b>(143,749)</b>
Income tax benefit	4	-	-
Loss before after tax		<b>(1,051,745)</b>	<b>(143,749)</b>
Add: Other comprehensive income		-	-
<b>Total comprehensive loss for the year, net of tax</b>		<b>(1,051,745)</b>	<b>(143,749)</b>

## **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 Obligations

Consistent with international better practice, the Government has established a CSO framework that acknowledges Government sometimes asks PEs to pursue social objectives that undermine the PEs 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 PEs to pursue the delivery of social obligations that undermine the ability of PEs 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 PEs receive the CSO in acknowledgement of the cost of the non-commercial activity, so that overall, the PEs can earn sufficient revenue to be commercial. It also has the benefit of enabling the PE 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 PEs. The payment of the CSO enables the PE 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 PE to pursue the activity – the CSO must be negotiated between Government and the PE
  - The outcome would not be pursued if the PE 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 PE pursue a social objective funded through a CSO – the request must come from Government
- ii. The CSO agreement would be negotiated with the PE at the Government's request with details agreed between the PE 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 PE 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.

### **CSO for FY 24/25**

The FY 2024-25 Budget acknowledges the need for the government to continue fiscal support to State Owned Enterprises (SOEs) to ensure they generate commercial returns for the Government and to meet the requirements of the *Public Enterprise Act 2019*.

In FY 2020-21, the Government of Nauru established a Community Service Obligation (CSO) framework that acknowledges that the government from time to time will require public enterprises to pursue social policy objectives that undermine the entities' ability to be fully commercial and to generate sufficient revenue to comply with its primary objective under the *Public Enterprise Act 2019*, of being a successful business.

The CSO framework seeks to compensate SOE's for the difference between the commercial based prices that the public enterprise would have charged for the service and the discounted prices that the services are being delivered to the public as requested by the government.

The FY 2024-25 Budget includes provision for the continuation of the Community Service Obligation (CSO) agreements for the following:

- \$2.4 million provided to Nauru Utilities Corporation to continue provision of the affordable electricity through a prepay lifeline tariff for 17 cents per kw/hr up to 200 kw/hr of power per month. Another \$3.3 million is to be provided to Nauru Utilities Corporation for fuel subsidy.
- \$2.3 million to Nauru Airlines Corporation (NAC) to provide regular and affordable air freight services with a once weekly freighter service from Brisbane or Fiji at pre-Covid-19 rates. This CSO will cover the empty return journey for freight services, to ensure a weekly service continues to be provided for the rest of the year.
- \$1.6 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 below commercial 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:

- \$2.7 million to NMPA for hiring tug-boats to support shipping operations, primarily fuel and phosphate voyages. This is a temporary cover until the new Port becomes operational.

## **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, followed by an economic 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 will be provided in the second half of 2024. 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**

At the beginning of the financial year, the Department of Finance via Treasury and the Public Enterprise Monitoring Unit (PEMU) have respectively reported a Debt to GDP ratio of 20%, and management reports submitted by State-Owned Enterprises (SOE's) have increased compared to previous periods; however, desired ROE and ROA have yet to be achieved. Nauru receives generous donor support for the NITF. Nauru is grateful for the support pledged by these donors in the Development Fund Projection FY 23-24 to the NITF.

The Nauru Revenue Office (NRO) has continued to strengthen its process in the collection of government revenues such as taxes, duties and fees. In collaborating with relevant government departments and agencies, it has achieved 90% tax assessments issued within the 14-day taxpayer filings.

The Nauru Chamber of Commerce (NCC) have met and also exceeded goals set in comparison to the baseline. It has reported that the Private Sector Development Roadmap has been developed and implemented. As of early 2022 till date, funding to commence implementation was secured. The NCC have engaged in consultations, planning and support of stakeholders which includes Public and Private Sectors, and the Community. It has officially opened the NCC Business Hub in late 2023, providing training, mentoring and workshops to 210 small businesses of which 120 completed. It has also engaged in pre-feasibility scoping at the Fisheries (Fishing Sector) where priorities and coordination are aligned with Government. The NCC has represented the Private Sector in general in meetings and consultations carried out throughout the period.

#### **Econ-Goal 2: Increased Level of Domestic Agricultural Production Aimed at Addressing Food Security and Healthy Livelihood**

In late 2023, the Department of Environmental Management and Agriculture (DEMA) took up the relevant projects previously held by the Taiwan, Province of China Technical Mission. This includes the farm

projects located at Meneng, Buada and Anabar District. Despite the exit, DEMA is in the process of securing 62 total number of piggery or poultry households/farms as part of its goals. Training on constructing mobile dry litter pens was conducted in the process. DEMA was also able to secure 79 crop farms which includes 75 households and 4 DEMA farms. Training and workshops relevant to crop farming were also administered. A Biogas System has been completed and DEMA aims to have this tool accessible for households in coming periods.

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

The Nauru Fisheries and Marine Resource Authority (NFMRA) provides support and training to milkfish farmers which aims to address and strengthen food security. Since the pandemic restrictions, the sector has been heavily impacted domestically and regionally; however, there have been efforts to revive the milkfish farming. This aims at producing 500 kg to 1 tonne of locally produced milkfish. It is currently exploring avenues such as the Diamond-back squid exploratory fishing trips.

The NFMRA continues to manage and strengthen the coastal fisheries and aquaculture resources in which it aims for a 100% coverage in the management regulations under the Coastal Fisheries and Aquaculture Act 2020. Control and management plans such as having enforcement reports and thresholds on catches, and assessments are set to be focused in upcoming periods.

### **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. Australia has funded a project to review the mooring system and provide recommendations on the best way forward. This project will help RONPHOS with its issue with the mooring system and reduce its operational cost per tonne of phosphate.

Nauru Rehabilitation Corporation (NRC) continues to provide aggregates to all the construction projects in Nauru. NRC also clears land and provides back filling. These activities are critical inputs for building projects on the island. Due to the increase in construction projects, NRC needs 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. NRC needs to recruit more staff to fill in the current gaps as well as set up a scheduled maintenance plan for its critical equipment to provide a reliable supply of aggregates to local projects.

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

The NRO is largely compliant with international standards such as the OECD standards and EU compliance requirements. In developing its “Compliance Improvement Strategy”, the NRO is now focused on a wide-reaching and transitioning from large to small business approach.

The Foreign Investment Division, through the Department of Justice and Border Control (JBC), is in the process of having the Foreign Investment Bill passed by Parliament. This bill will help improve the regulations around foreign investments with the aim of incentivising foreign companies to invest in Nauru. Attracting foreign investors will require a cross-governmental effort to establish an attractive investor framework.

On a different front, the Foreign Investment Division is currently awaiting confirmation on the finalised draft contract for Ernst and Young to provide TA for Nauru Foreign Investment Scheme. Funded by PIFS SPIRIT project. Foreign Investment Team to choose three sectors to be analysed by the consultancy (Ernst and Young). Target Date of Consultancy to commence; late March 2024 - April 2024



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

The Nauru Tourism Corporation (NTC) has narrowed down its key focus in this current period:

1. Accessibility to Anibare Caves:
  - a project that is focused on enhancing the accessibility and visitor experience to the iconic Anibare Caves.
  - This aims at having well-maintained pathways and signage/information boards for easier navigation.
2. BiNit Campaign for Island Clean-up:
  - a project set to launch an initiative focused on environmental conservation and community engagement to address the escalating issue of pollution and environmental degradation.
  - This is aimed at instilling a sense of responsibility and stewardship within the community for the long-term preservation of Nauru's delicate ecosystem.
3. Tourism Expo and Food Fest Event:
  - This is hosting events that showcase the diverse cultural culinary while the Tourism Expo will feature local made handicrafts, information on historical landmarks and cultural activities.
4. Tour Operators Training:
  - The training provides hands-on experience, sustainable tourism practices and first-aid training through a certified trainer ensuring participants acquire the necessary skills to excel in the competitive tourism sector.
  - This is aimed at enhancing the overall quality and professionalism of the tourism sector.
5. Expand/Improve Quality of Accommodation & Transport Services
  - An approach involving collaboration between local stakeholders, private businesses and communities. Setting and maintaining a standard on the services provided.
  - This expects to gradually elevate the overall visitor experience, boost SMEs at micro level and Nauru's position as a sustainable destination for travellers at a macro level.
6. Increase Visitors Visa Revenue:
  - The project involves a comprehensive review of visa processes, aimed at simplifying the application procedures to encourage a higher influx of visitors.
  - This is focused on maximising revenue from visitor visas through a targeted and streamlined approach.

In the early months of 2024, the Miss Pacific Pageant was hosted in Nauru where NTC played a crucial role in administering and monitoring programs held during the event. The event was a success.

The Nauru Chamber of Commerce have continually collaborated with the Tourism Industry where further training and workshops involving the private sectors (such as the SMEs) were carried out.

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

Discussions are underway to seek suitable insurance coverage for Nauru. Nauru's small population and lack of a claims history limit the attractiveness of Nauru as an insurance client, however, the Department of Finance is actively investigating all possibilities. The availability of insurance will be crucial for attracting foreign investment to Nauru and encouraging the establishment of local business.

ADB is also providing technical assistance to review the suitability of Nauru's current financial services as well as support continuing financial literacy in the community. Access to credit services is currently not

possible on Nauru, which limits the ability of Nauruans to establish businesses and build homes. Credit cards are not available on Nauru either, which limits access to certain services and makes activities such as paying for international visas challenging. Bringing the full remit of financial services to Nauru is essential for Nauru's economic and social progress.

## **SOCIAL SECTOR**

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

The Department of Education continues to offer ongoing training programs for teachers, both in service and trainee, for diploma or higher qualifications at USP/UNE. Currently, more than 44% of teachers hold a diploma or higher qualification in education. With the phasing out of the University of New England NTEP funded by the Australian Government, additional donor support will be required going forward to assist local teachers in obtaining appropriate qualifications. For the upcoming financial year, the Department of Education aims to increase the number of Nauruan teachers through training opportunities and improving the working conditions and entitlements including physical, workload, and remuneration.

DOE is actively working with schools towards boosting school attendance rates through parental and community engagement initiatives. Many of the schools have established Parents Teacher Association (PTA) committees. This year, the early organised learning participation (one year before the official primary age) net enrolment rate increased by 95%. Programs such as the NEAT scheme, where students are provided financial bonuses linked to attendance and school ration programs will be actively monitored and assessed to ensure the right measures are in place to optimise attendance levels.

At the end of the 2023 school year, a total of 77 students out of the 198 graduated from Year 12, making up approximately 39% of the overall number of students enrolled. Out of these graduates, 44 students successfully obtained their Queensland Certificate of Education (QCE), and 17 out of them have been selected for tertiary level studies in Australia this year.

The implementation of the non-formal and life skills programs to be made available at Nauru TVET for the able disabled participants is still a focus for the Education Department. There are works currently in progress in establishing and facilitating a process for identifying students with special needs, existing disabilities to be able to identify which programs are suitable according to the level of disability.

### **Soc-Goal 2: A healthy and productive population**

The current average life expectancy for Nauru in 2024 is 64.3661 years of age. This is a 0.28% increase from 2023, when the average life expectancy was 64.1878 years, from birth to death. In the future, Nauru's average life expectancy is projected to increase to 75.11 years of age, by the year 2100. These projections show an overall reduction in mortality and morbidity.

Nauru has met its target of reduction in the prevalence rate of Communicable Diseases. The TB DOTS program has been successfully implemented, ongoing capacity building is being provided with staff both in RONH and Public Health. A screening program is also being implemented to detect latent TB.

Nauru has also met its target of reducing infant mortality below the 17.7 deaths per 1,000 live births, with a rate of 6.17. Sadly, Nauru also experienced one maternal death in the reporting period.

The health worker distribution target was met, with 2.25 Doctors per 100 population. but slightly falling short of the 8.5 per 100 population for Nurses with a rate of 8.1. External scholarships remain crucial to Nauruans accessing medical care.

During the financial year, a new laboratory policy and strategy was developed. Nauru has submitted a proposal for funding, through WHO, to the Pandemic Fund for funding to strengthen the laboratory services, including a public health laboratory. This will increase capacity for surveillance and will provide more reliable figures of community exposure to waterborne illness.

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

The Department of Sports has completed Community Coaching courses and across all districts in Nauru targeting unemployment, home-stay mums, troubled youths, as well as Community Sports Administration and Anti-Doping courses.

The Department is now facilitating 5000 individuals to participate in community sport, well above the 4,385 target set for this financial year.

The Department is working in partnership with stakeholders such as Nauru Olympic Committee, WASDA, and the Departments of Health and Education.

There is also an increase of Able Disabled participants with the Newly established Special Olympics Committee that provides pathways for Able Disabled athletes to compete in.

### **Soc-Goal 4: A robust, vibrant and effective civil society for a just and peaceful Nauru**

Following the 2022 Election, NEC conducted community consultations with district leaders, church leaders, youths, WENA, the Department of PLWD and other relevant stakeholders in June 2023. The consultations were based on the Election 2022 Report, PIF Observers Report, Election 2019 Report and post-2022 election challenges and recommendations for legal reform. A report was provided to NEC and was shared to the ACER Committee for reference.

An Advisory Committee on Electoral Reform (ACER) was established in June 2023. The group comprised of eleven members from relevant government departments. They were tasked to (1) review post-2022 election recommendations for legal amendments and (2) provide advice through a comprehensive report. A report was received in October 2023. NEC has compiled the recommendations along with the supporting reports and will submit these to the cabinet in May 2024.

NEC and three senior staff attended a retreat in Nadi in April 2023. The purpose of the retreat was for a workshop to review and upgrade the NEC Strategic Plan 2020-2023. As a result, the Strategic Plan was reviewed and upgraded, and the Strategic Plan 2023-2025 was adopted and is now in force.

A Training Needs Plan was developed in March 2023. After its adoption, all staff and members of the Commission were individually assessed and needs identified.

NEC and all staff underwent a 2-days virtual training on Basic IT Skills, with main focus on Excel and PowerPoint.

## **INFRASTRUCTURE SECTOR**

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

For this year, NUC has attempted to improve its management of its energy supply by reducing the percentage of electricity losses compared to last year but have experienced challenges. Frequent outages during the year have been caused by electrical tracking causing High Voltage timber cross-arms to catch fire. The outage duration to replace each cross-arm and glass insulator can take up 4-8 hours. Unfortunately, the risks associated with the environment causing gradual build-up of salt corrosion on glass insulators and cross-arms over time was not taken into consideration when recommending the use of wooden poles and cross-arms. To reduce the outages, it is necessary to replace timber cross-arm material with fibreglass or to relocate HV lines underground.

Low generator availability and power transformer issues have also caused interrupted supply to the island. In terms of generator availability, NUC's target was for generators to be available 95% of the time. NUC

has 12 installed generators with 10 of these ready for use, and two generators under refurbishment. Once these two generators are repaired, this target can be achieved. Generators will continue to play a role in supporting energy supply after the completion of the solar project, as the solar plant will not provide base load generation security of supply or voltage stability for the grid. The proposed battery energy storage system (BESS) incorporated in the 6 MW Solar Project is designed only to provide capacity for half-hour, depending on load and discharge rates.

NUC's Interruption Frequency target cannot be met this year, however, NUC is determined to keep the target for the next FY. NUC will improve preventative maintenance management strategies and increase compliance with maintenance schedules to help overcome these issues.

In terms of customer satisfaction, NUC has partially met its NSDS KPI target of having more than 90% customers happy to pay current or higher prices if reliability (SAIDI) is achieved, with more than 75% of customers happy with NUC's pricing for power services the Government of Nauru CSO initiative plays a significant role in alleviating the cost of supplying electricity to consumers. However, NUC noted an increased number of customers not able to afford the high costs associated with a new meter installation/connection. NUC therefore reviewed and reduced its costs for new meter installation/connection, which has resulted in an increased number of new customer connections.

NUC has also worked with the community to reduce losses due to meter bypassing and illegal connections. The communities are aware of penalties for bypassing meters and NUC is in the process of improving metering for industrial customers – specifically Ronphos and NRC.

In regard to Renewable energy, the anticipated target to increase the annual energy renewable penetration within Nauru to 50% is yet to be met, due to delayed completion dates for the ADB solar project. The 6.8 MW Solar Development Project is due for completion in December 2024 and 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. The project is starting to look fairly complete (solar panels, water tanks, switch room, roads, trenching installed), the remaining activities are the installation of the electrical equipment, which are due to arrive on Nauru in May 2024.

Also, the Higher Ground Initiative Division is coordinating with NUC and DEMA to help develop a strategic plan to integrate renewable energy planning into the HGI master land use plan and energy efficiency strategies into building plans more broadly.

The implementation of Nauru Energy Roadmap 2018-2020 has reached 90% in its implementation phase with their next target set to 95% completion and the other 5% will be taken up by the NERM within the periods 2024-2025.

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

NUC continues to meet water demand from both the residential and commercial customers. The reverse osmosis plant has achieved its overall goal of 100% supply this year, and NUC is determined to maintain this effort. However, NUC's water tanker availability was only 76% this year, falling from 83% the prior year. NUC's fleet of water tankers comprises 12 trucks (of which six are hire vehicles), with a total fleet capacity of 80 kilolitres. Due to tanker maintenance requirements, two tankers have been unavailable in the period. Other factors that have impacted on NUC's delivery ratio during the period included:

- rescheduling of deliveries to customers at the customer's request,
- pending deliveries due to "Customer full Tank" from rain catchment, and
- late notification of water orders by customers who run out of water.

The Department of Infrastructure, with the support of PRIF, have been working to develop a building code which considers accessibility for water tanks. A National Building Code has now been drafted and will be tabled to Parliament.

On the demand side, the Department of Climate Change and National Resilience (DCCNR) aims to increase consumer awareness of smart water usage through a community awareness program.

NUC has met its goal of ensuring water quality meets or exceeds the Australian water standard. To ensure water stored in home water tanks is safe, DCCNR will receive training to test water quality with the support of an SPC technical working group.

Water quality will also be positive impacted by SPC's Management Water Scarcity through Strengthened Water Resource Management in Nauru project to which will complete the following:

- repair selected household rainwater harvesting systems
- repair damaged/leakage to domestic household storage infrastructure, and
- procure water quality test kits and salinity metres, and
- capacity building of district officers and community reps on water storage maintenance methodologies.

SPC will also provide support to increase the number of dwellings with downpipes connected to a water tank from 60% to 100% of dwellings, by installing downpipes to 96 houses.

During the FY, a new laboratory policy and strategy was developed in the Health Sector. They have recently submitted a proposal for funding, through WHO, to the Pandemic Fund for funding to strengthen the laboratory services, inclusive of the public health laboratory. This will increase capacity for surveillance. Resulting in the target being met with only 21 cases of reported waterborne illness throughout the year. The Public Health Division is also looking to establish a comprehensive water regulatory framework to govern water quality and standards at all stages of the water cycle.

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

The ADB funded Urban Sustainable Development Project aims to improve essential services of water supply, sanitation, and solid waste management in Nauru. The project will involve developing a 24km reticulated water supply servicing 60% of the population, a new septage facility, construction of a new organic waste facility and a new waste and material recycling facility. The project is currently in the Project Readiness phase. The project is on track to prepare design and bidding documents of the water supply component of the ensuing Project by September 2024.

Sanitation is a new department that commenced its services with NUC in July 2023 having transitioned from Eigigu Holdings Corporation (EHC) to NUC. The service will provide a sanitation and wastewater collection service, treating it and disposing it into the environment in compliance to Health regulations and standards. NUC will Operate and maintain two effluent trucks that have tank capacities of 2000l and 3700l. The service is currently at 50% capacity due to one truck undergoing maintenance since July.

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

Nauru's primary transport infrastructure project, the Port development project, was due to be completed in December 2021. However, completion has been pushed until late 2024. While container and fuel vessels can now berth in the new port, full completion of container storage, port buildings and dredging the berth to the contracted depth remain to be completed. The completion of this project remains a priority for Nauru, to ensure Nauru's food and fuel security. Future revenue generating activities remain on hold until the Port is complete.

In terms of ship turn-around time (days), there were delays due to bad weather conditions for the safe movement of containers in the wharf/mooring. Under good weather conditions, discharge & back load operation can be completed within 2-3 days. Completion of the berth dredging will decrease the swell within the harbour and so provide ease of discharge and loading for vessels. Whereas the number of containers discharged/back-loaded have reached 3000 this FY, an increase in cargo volumes is expected once the new port is fully operational.

To improve Civil Aviation infrastructure, the Runway Resurfacing Project funded by the Australian

Infrastructure Financing Facility for the Pacific (AIFFP) will play a crucial role. At present, the project design is addressing certain anomalies within the project scope of work on the runway. During FY 2024-25 the project will secure a contractor and commence mobilisation of plant and equipment for project implementation. Additionally, weather instruments will be installed with the assistance and support from the Australian Bureau of Meteorology by July 2024. Construction is due to take place from May to September 2025. One risk to the project remains unexploded ordnance, which may not only delay the project but may also require the airport to close. A thorough UXO survey will be completed in 2025, ahead of construction.

In addition to the runway works, the Department of Transport aims to redesign the airport terminal layout, upgrade equipment such as lighting and fencing and provide additional staff to improve the fluency of aircraft movement and passenger traffic. This will allow for the airport to keep up with the demand for services, and therefore naturally generate more revenue to be earned from fees relating to increased flight landings, take-offs, parking fees, passenger levies and other taxes.

As the number of vehicles in Nauru continues to increase, coupled with the introduction of electric vehicles in the next financial year, the VRID registration software system will require an upgrade to a more comprehensive and robust program to cater for diversity and continued accuracy. At present, the VRID registration software system is adequate to meet Nauru's needs but the system is likely to become inadequate in the future.

the establishment of a fully-fledged Land Transport Authority continues to be a main area of focus for the sustainable development of land transport in Nauru. The Transport Department will continue to work towards this long-term goal to provide a one-stop-shop for land transport customers and improve registration and regulatory services. The department also aims to increase its bus services and will work with the Department of Infrastructure to rehabilitate bus stop infrastructure.

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

The Fiber Optic project will provide secure, safe and resilient telecommunications infrastructure to Nauru, and support essential activities such as telemedicine consultations and online training with overseas institutions. Work has started on laying the cable, and the project is due to complete by October 2025. CENPAC is working 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 the 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.

### **CROSS-CUTTING SECTORS**

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

The Chief Secretary- Administrative division has developed an initiative to digitalize the Asset Management System. The division will work with the ICT and Finance teams to configure an Asset Management Software Program to electronically store and generate any data relating to government assets. The Department of Infrastructure is also looking to develop a register, and the teams will collaborate to devise a holistic solution.

The Chief Secretary - HR division has progressed the following initiatives:

- the final editing of HR website targeting to launch by the 1st of May 2024
- completion of its first HR Corporate Plan to be launched in May 2024.
- the Resumption of the Biometric Clock to register attendance from 22 May 2024.
- My Leave System and E-recruitment System (in collaboration with ICT) to be operational by July

2024, and

- fortnightly in-house training of HR personnel on website management.

The Births, Marriage and Death division has moved to the second phase of the establishment of the Civil Registration and Vital Statistics (CRVS) system, an ongoing project with UN ESCAP since January 2023. This system will allow authorised users like the Bureau of Statistics, Health Department, Land Management Committee and other stakeholders to access vital statistics, with BDM being the main editor. The Division plans to launch the database by December 2024.

The Department of ICT continues to progress a government-wide policy for electronic storage. A Gap analysis and implementation plan for the policy is under development and a UNDP Digital Readiness Assessment has already been conducted. To prepare for the cable project and help create a plan to implement numerous digital plans completed in past years, the Department will also develop a Digital Nauru 2030 Action Plan (DNAP), which will synchronise and align the existing strategic digital objectives, recommendations, and initiatives of each government department. This centralised approach will provide the practical guidance required for the whole-of-country transformative change. The central tenet of the proposal is the provision of technical and operational support to DoICT “to harness the power of digital technologies to improve the lives of our citizens, stimulate economic growth, and safeguard our environment”.

Stage 1 will commence next financial year and involve consultants developing an understanding of Nauru’s digital transformation history of Nauru. This will be followed by consultation to develop a set of practical guides and resources to maximise the impact of digital transformation initiatives and will also contain a documentation and prioritisation of initiatives to provide a clear sequencing of projects and assist in the development of a long-term transformation budget. Complimenting the formation of the budget, the consultant will begin engagement with potential funders and development of a project funding pipeline.

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

Through the AusP3 program, Australia assisted the Treasury division through providing expert advisors to strengthen Nauru capability in key areas of public administration (Treasury, Planning and Aid, Revenue, Customs, Infrastructure and NUC) to support delivery of Government priorities. These roles involve capacity development of Government staff and process and system improvements.

The Department of Audit designed a Strategic Plan to achieve 28 goals over a period of 5 years (2023-28). The Department has also drafted an Audit bill to amend the *Audit Act 1973*. The amended bill will provide the Auditor General with heightened powers which will drive improvements to financial accountability and transparency.

Customs continued to inspect all arriving aircrafts with air passenger cargo examined physically, where deemed appropriate. A number of detections of excess quantities of alcohol and tobacco/vape products resulted, along with an import of cannabis resulting in prosecution by Police. High risk entities have all cargo physically inspected. Both the X-Ray machines will be repaired in 2024 and a third one is being gifted by Australian Border Force for use at by Nauru Post. The ASYCUDA system for management of customs data went live in the last quarter of 2023, and after some implementation challenges, is now helping process low risk cargo within one day.

The Quarantine Division plans to establish a laboratory for seized illegal imports and create a storage space for undeclared items to be sorted and stored.

The Department of Justice continues to explore ePassport options to improve the security of Nauruan passports and help Nauruans make use of electronic immigration systems while travelling.

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

The Higher Ground Initiative (HGI) is an aspirational vision to transform Nauru's higher grounds into

habitable, arable and productive lands. The project is an adaptation measure to survive the adverse effects of climate change and sea level rise as its key goal is to enable the possibility of the internal migration of communities and key infrastructure towards the higher grounds at topside. The HGI will also mitigate environmental and socio-economic burdens through improved water and energy infrastructure, increased arable and productive lands, green housing and environment restoration, and ultimately, will support the transformation towards a more resilient and sustainable Nauru. Currently, the project has reached the implementation phase II of HGI.

A whole island master plan has been developed and Land Portion 230, which is owned by the government, is the pilot for the whole island master plan. It will be used to show what is possible if the master plan is adopted. The allocation of housing in LP230 will need to be resolved and supported by government policies. The HGI Technical Advisory Group (TAG), which provides support and advice to the HGI Steering Committee, will assist with this work. The TAG has been reviewing a draft Land Tenure and Social Safeguarding document since March 2024. A Technical Adviser and lawyers also collaborated to assist in forming a complete legislative system for the valuation, transfer, purchase, leasing of land and managing disputes.

The Department of Lands Management still continues to reduce the amount of undetermined lands. This will be facilitated by accessing historical documents in Australia relating to land ownership during the years that Nauru was under Australia's administration. In addition, for next financial year, all land records and data will be computerised for easy research and preservation as of today, some records are still manually stored.

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

For improved health of the environment and management of natural resources, DEMA completed 50% of Nauru's Land Degradation target setting exercise through the GEF 7 Biodiversity and Land Degradation Project. DEMA aims to have at least 1 terrestrial area identified and managed under this project.

DEMA and DCCNR continued chairing the steering committee for the ADB-funded Nauru Sustainable Urban Development Project, which includes the improvement of waste management facilities on the island.

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

DCCNR is working with stakeholders to develop a Nauru Climate Change Policy (NCCP) and roadmap. DCCNR is also progressing its Nationally Determined Contribution (NDC) Implementation Framework, and also begin capacity building on officers to assist firms on developing an NDC Implementation Framework.

The National Emergency Services (NES) continues to carry out emergency drills in the community, with two emergency drills and one landing emergency response practised. Fire extinguishers have now been placed in government buildings, helping to improve the fire safety of this key building. Weather bulletins are now regularly featured on radio and television and will eventually be supplemented by a meteorology website.

NES continue to improve emergency infrastructure and assets and are working to replace ageing fire trucks with new ones, with parts that can be easily sourced. A larger fire truck is required to allow the larger Nauru Airlines plane to land, in accordance with ICAO standards. A new water tanker is also required. NES is working with Planning and Aid Division to secure donor support to help with this replacement. NES will also build two lifeguard huts at Gabab channel and Anibare Harbour, to provide greater safety for swimmers in these areas.

In collaboration with NMPA and NFMRA, NES will work to improve search and rescue coordination, and seek to secure a scubacraft rescue boat to conduct sea rescues. Health and Fisheries will also collaborate to repair and manage the hyperbaric chamber, to provide support to divers on Nauru.