



REPUBLIC OF NAURU

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DEVELOPMENT FUND

HALF YEAR REPORT

FY 2022-2023

1 JULY TO 31 DECEMBER 2022

CIRCULATED BY

HIS EXCELLENCY THE HONOURABLE DAVID ADEANG, MP

PRESIDENT AND MINISTER FOR FINANCE OF THE REPUBLIC OF NAURU

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Conventions used in this Document:

- o Actual Revenue data is retrieved from the Nauru Financial Management Information System. Projection data is taken from the FY 2022-23 Development Fund Projection.
- o All amounts are expressed in Australian dollars unless otherwise stated.
- o Due to rounding small discrepancies may occur in the totals shown in columns in tables.

LIST OF KEY ACRONYMS

ADB	Asian Development Bank
AUSTRALIA	Australian Department of Foreign Affairs and Trade
FAO	Food and Agriculture Organization
GoN	Government of Nauru
NFMRA	Nauru Fisheries and Marine Resource Authority
NORI	Nauru Ocean Resources (Inc)
NZ	New Zealand Ministry of Foreign Affairs and Trade
OHCHR	Office of the United Nations High Commissioner for Human Rights
RFMO	South Pacific Regional Fisheries Management Organisation
SPC	Secretariat of the Pacific Community
SPREP	Secretariat of the Pacific Regional Environmental Programme
UN	United Nations
UNDP	United National Development Program
UNEP	United Nations Environment Program
UNESCO	United Nations Education Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WHO	World Health Organisation

PART I: EXECUTIVE SUMMARY

In the first six months of FY 22-23, Nauru received donor revenue of \$0.7m and expended \$2.6m. It is only half-way through the financial year, but the actual revenue received is less than quarter the annual projected amount of \$5.1m. Actual expenditure already surpassed half of the annual projection, which is largely a result of line departments spending funds from previous period in current period.

About 61% of the total expenditure went towards the Social and Community sectors, with approximately \$0.3m spent on education and \$1.3m on health. The Infrastructure Sector accounted for 18% of expenditure (\$0.5m) and Economic sector for 19% (\$0.5m), leaving the Cross-Cutting sectors with only 2% of all development fund expenditure.

There is room for improvement in the accuracy of projections, aiming to better capture development aid either through Aid-In-Kind or Cash-Funded projects. Going forward, it is vital that donors correctly classify projects so that Development Fund projections are accurate and line departments can plan their activities accordingly.

As the IMF has expressed interest in Nauru's progress with Aid-in-Kind, the Department of Finance is now tracking Aid-in-Kind support. Requests to donors for information on their projected Aid-in-Kind support only yielded one response, from Japan.

Donors are encouraged to support Nauru's efforts to report on Aid-in-Kind support, going forward.

PART II: DEVELOPMENT FUND ANALYSIS

INTRODUCTION

This Annual Development Fund Report for financial year 2022-2023 is prepared in compliance with the *Development Fund Act 2011*.

Data presented here is sourced directly from the Government of Nauru Financial Management Information System (for actual revenue and expenditure). Projection data is taken from the Development Fund projection for FY 22-23.

Projects are categorised into their relevant National Sustainable Development Strategy (NSDS) goal, which may be subject to interpretation in some instances. Where projects are deemed to span multiple NSDS goals, they are categorised based on whichever goal the majority of funds support.

Part II of this report presents an analysis of revenue and expenditure from the Development Fund for FY 22-23. Part III outlines project-by-project revenue and expenditure and variances from the FY 22-23 Development Fund Projection. While the Development Fund Act 2011 does not require reporting on Aid-In-Kind, the Department of Finance will now be tracking Aid-In-Kind funding in these reports. A short update can be found in Part IV.

PURPOSE OF THE DEVELOPMENT FUND

The Development Fund was established in accordance with the *Development Fund Act 2011*. The purpose of the Development Fund is to receive and disburse grant funds from development partners. At present, the Development Fund is restricted to three bank accounts covering Australian, New Zealand and all other donor funds.

In practice, development funds are earmarked for particular purposes according to the signed grant agreements and then used to reimburse Treasury for eligible expenditures. The Planning and Aid Division of the Department of Finance undertakes oversight and management of the fund, whereas line departments have responsibility for raising payment vouchers and 'spending' the funds.

The Development Fund is routinely subject to external audit by accounting firms or directly by development partners themselves. The last six-monthly audit undertaken on behalf of the Australian High Commission highlighted ongoing improvements with no evidence of fraud or major qualifications.

PERFORMANCE DURING PERIOD 1 JULY TO 31 DECEMBER 2022

REVENUE

As displayed in Chart 1, in FY 22-23, projected revenue was projected to be \$5.1m, while actual revenue totaled \$0.7m.

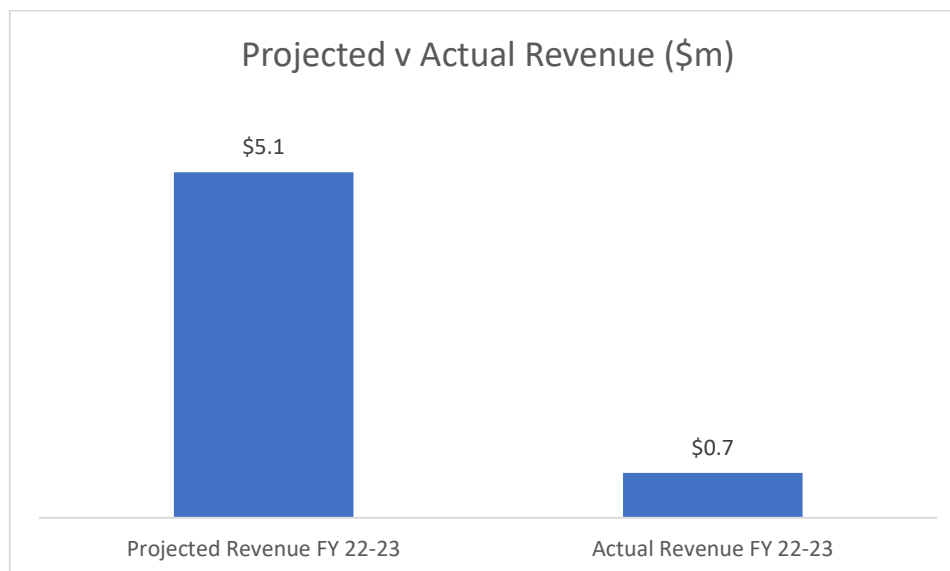


Chart 1 – Projected v Actual Revenue

As displayed in Chart 1, projected revenue for FY 22-23 was predicted to be \$5.1m, while actual revenue received during this time totals \$0.7m. By mid-year, it would be expected that at least half of the projected revenue will be received into the Development Fund.

ACTUAL REVENUE BY NSDS SECTOR

Total Revenue	Projected	Actual
Economic	\$ -	\$ -
Social	\$ -	\$ 76,108
Infrastructure	\$ 1,438,435	\$ 281,839
Cross-Cutting	\$ 636,395	\$ 299,400
Subtotal	\$ 2,074,830	\$ 657,347
<i>Projected but Not Received This Period</i>		
Japan - Grassroots Grant Program for Human Security Projects (GGP)	\$ 125,000	
WHO - Resilient Health Systems	\$ 28,986	
UNICEF - strengthening of institutional frameworks to protect children from abuse	\$ 167,012	
FAO - Strengthening national coordination and planning for food security and nutrition	\$ 69,013	

Total Revenue	Projected	Actual
UNESCO - Social Inclusion & Community Well Being	\$ 5,714	
UNICEF/UNDP/WHO/UNFPA - Improving and Strengthening of Health Systems	\$ 543,310	
UNICEF/UNESCO - Improving and Strengthening of Education Systems	\$ 33,952	
UNICEF - MICS Survey Support	\$ 226,363	
UNDP - Nauru Accountable and Inclusive Governance (NAIG)	\$ 1,604,420	
UNICEF - Strengthening CRC reporting processes	\$ 55,210	
OHCHR/UNDP - Facilitating inclusive dialogues and decision-making to strengthen social cohesion post-COVID19	\$ 141,666	
Subtotal	\$ 3,000,646	\$ -
Grand-Total	\$ 5,075,476	\$ 657,347

Table 1 – Projected v Actual Revenue

There are 12 projects totalling \$3.6m that are to be cash funded this financial year. Funding for only one project has been partially received within the period. UN funds are not received due to a discrepancy between planning and budget execution of projects. This highlights the importance of developing budgets in close consultation with implementing organisations.

DEPOSIT ANALYSIS

A total of four deposits were made during the period. The following is the Deposit Classifications for the six-month period:

Deposit classifications	\$	\$
<u>AIK but paid in cash</u>		
03703 NEEDS Implementation Project	\$ 131,839	
16905 NSUDP's PMU	\$ 150,000	\$ 281,839
<u>Deposits not Projected</u>		
13001 Trachoma Research Project	\$ 62,800	
25002 HIV/STI (2021-2023)	\$ 13,308	\$ 76,108
<u>Deposit Projected and Correctly Classified</u>		
34010 GEF7 Land Restoration Biodiversity Project	\$ 299,400	\$ 299,400
Grand Total		\$ 657,347

Table 2 – Total Actual Revenue – By Project – 1 July to 31 December 2022

Of the funds received, 43% were projected as Aid-in-Kind, while 12% were not projected. The remaining 45% were correctly projected and classified on the “Development Fund Annual Projections FY 2022-23”.

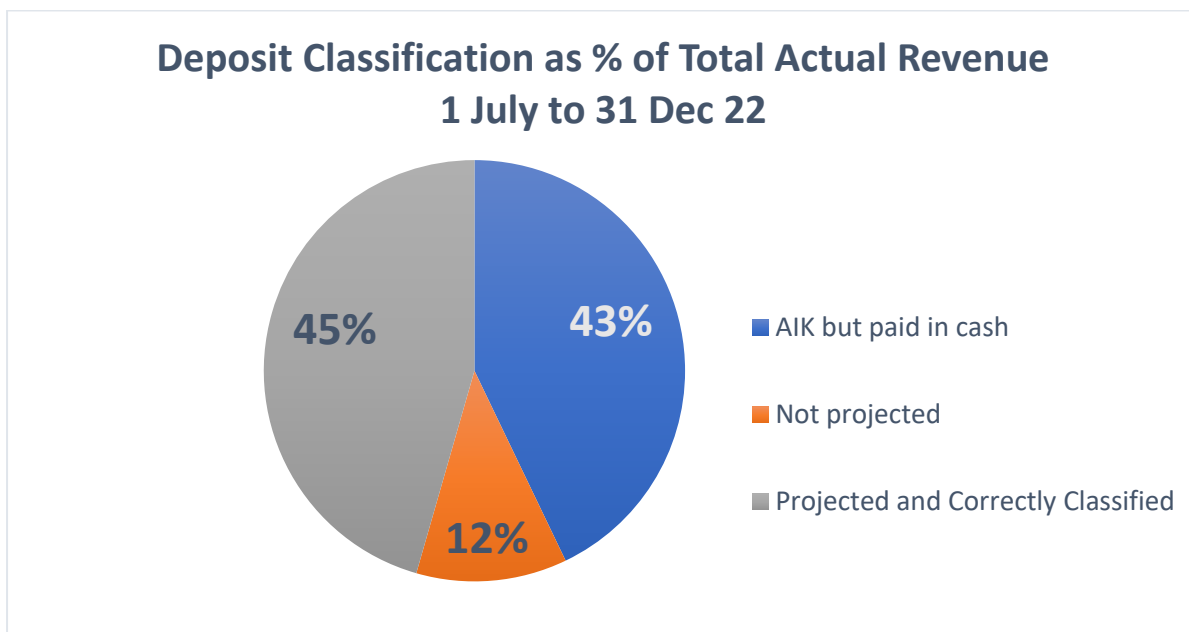


Chart 2 – Deposit Classifications

Going forward, donors are urged to ensure that their development funding plans include as much detail of proposed donations as possible, so that Development Fund projections can accurately reflect the proposed funding arrangements. Line departments must also have accurate information to budget correctly and allocate their resources to donor-funded programs.

EXPENDITURE

On the expenditure side, actual expenditure of \$2.6m did not align with the projections as well. As shown in Chart 3 below, \$5.1m was the projected expense for FY 22-23.

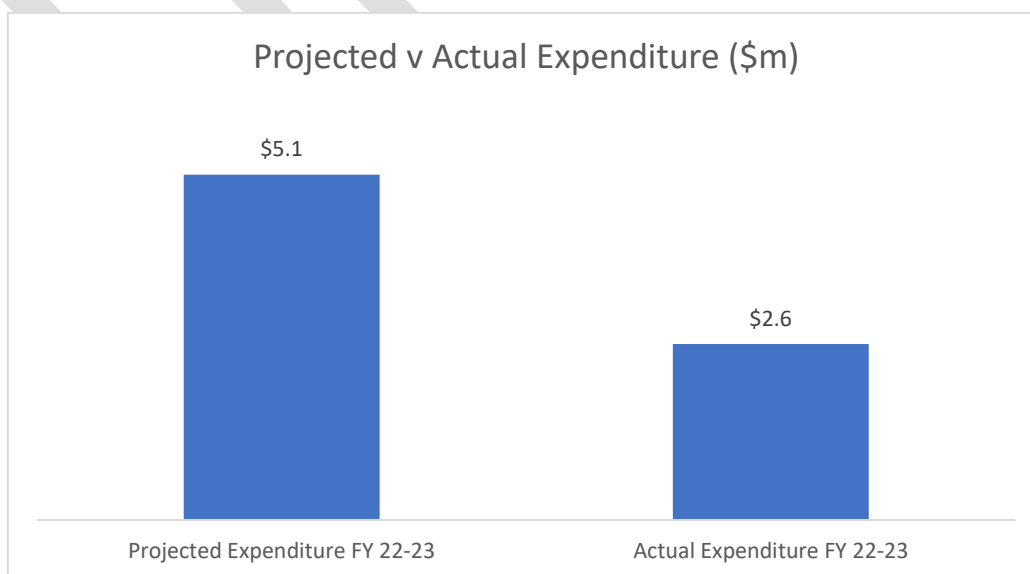


Chart 3 – Projected v Actual Expenditure

Total Expenditure	Projected	Actual
Economic	\$ -	\$ 479,063
Social	\$ -	\$ 1,587,813
Infrastructure	\$ 1,438,435	\$ 463,599
Cross-Cutting	\$ 636,395	\$ 55,634
Subtotal	\$ 2,074,830	\$ 2,586,109
<i>Projected but Not Spent This Period</i>	\$ 3,000,646	
Grand-Total	\$ 5,075,476	\$ 2,586,109

Table 3 – Projected v Actual Expenditure

Actual expenditure for the six-month period from 1 July to 31 December 2022 is \$2.6m, surpassing half of the annual projection of \$5.1m. This is largely a result of line departments spending previous years' revenue during this half-year period to utilise underspends from previous financial years, particularly in the:

- Economic sector and Cross Cutting sectors – all projects
- Social sector – Australia funded Health and Education programs, Taiwan funded COVID recovery program and UN WHO and immunisation programs
- Infrastructure sector – Australian funded Digital Project, New Zealand funded renewable energy and training program, Taiwan funded Fiber Optics connectivity project and the UN funded waste management project.

The FY 21-22 Annual Development Fund report noted the significant impact of the COVID-19 pandemic on securing technical assistance and resources. This was particularly the case for the Australian funded education program and 2021 Digital project. As the travel restrictions and lockdowns are uplifted, the arrival of technical assistants has slowly resumed for the different departments, and will help improve project spending.

Sourcing and resourcing challenges in Government organisations have hindered spending progress in previous years. As we negotiate for extension of current or adopt new programs with donors, the capacity, consistency and responsiveness of Nauruan organisations to support activities must be considered and addressed, to ensure development funds can be fully expended

ACTUAL EXPENDITURE BY NSDS SECTOR

Chart 4 illustrates that in FY 22-23, spending in the Social Sector accounted for 61% of all development fund expenditure; 19% directed to the Economic Sector and 18% to the Infrastructure Sector while only 2% to the Cross-Cutting sector.

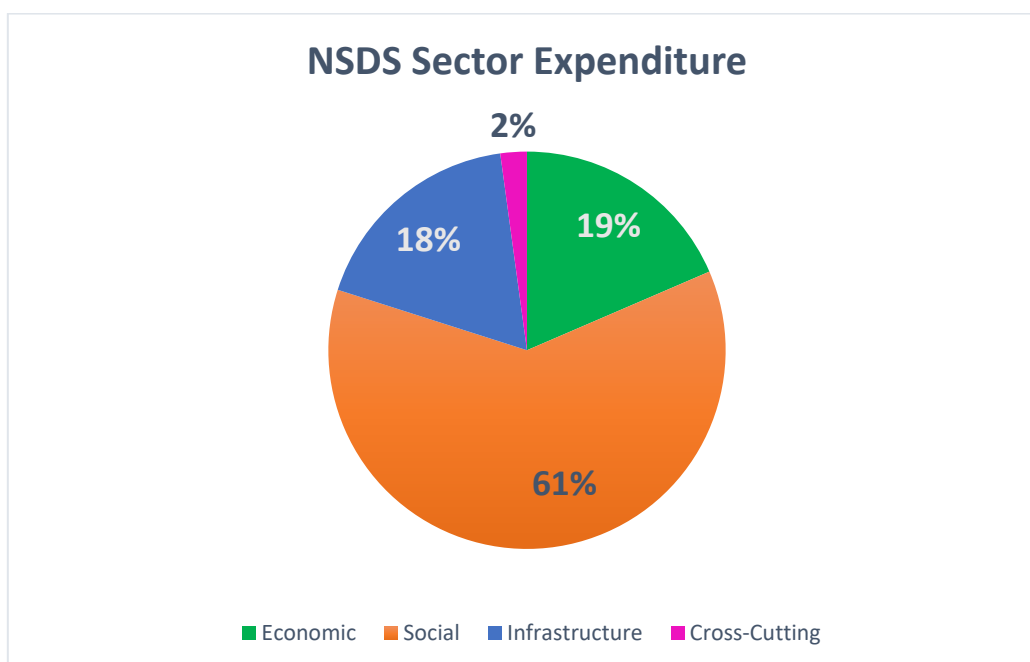


Chart 4 – Expenditure by NSDS sector

DONOR ANALYSIS

In terms of Donor support, UNEP became the largest source of revenue, followed by the ADB and New Zealand. It must be emphasized that the listing below does not consider aid-in-kind or budget support, and thus does not reflect total support from donors. Some donors, such as the Asian Development Bank, contribute significantly to Nauru through in-kind infrastructure support, or through technical assistance, as is the case for Australia, and agriculture for Taiwan which is not included in these figures.

Donor	Projected Cash Funds	Actual Revenue	% of Total Actual Revenue
ADB	\$ -	\$ 150,000	23%
Australia	\$ -	\$ -	0%
Fred Hollows Foundation	\$ -	\$ 62,800	10%
Global Fund	\$ -	\$ 13,308	2%
Japan	\$ 125,000	\$ -	0%
New Zealand	\$ -	\$ 131,839	20%
NFMRA Joint Venture	\$ -	\$ -	0%
NORI	\$ -	\$ -	0%
RFMO	\$ -	\$ -	0%
SPC	\$ -	\$ -	0%
Taiwan	\$ -	\$ -	0%
UN - Outcome 1 - UNDP - WHO - UNEP	\$ 2,103,815	\$ 299,400	46%
UN - Outcome 2 - UNICEF	\$ 167,012	\$ -	0%
UN - Outcome 3 - FAO - UNESCO	\$ 74,727	\$ -	0%
UN - Outcome 4	\$ 577,262	\$ -	0%

Donor	Projected Cash Funds	Actual Revenue	% of Total Actual Revenue
- UNICEF/UNDP/WHO/UNFPA - UNICEF/UNESCO			
UN - Outcome 5 - UNICEF - UNDP	\$ 1,830,783	\$ -	0%
UN - Outcome 6 - UNICEF - OHCHR/UNDP	\$ 196,876	\$ -	0%
		\$ 657,347	100%

Table 4 – Total Actual Revenue – By Donor – 1 July to 31 December 2022

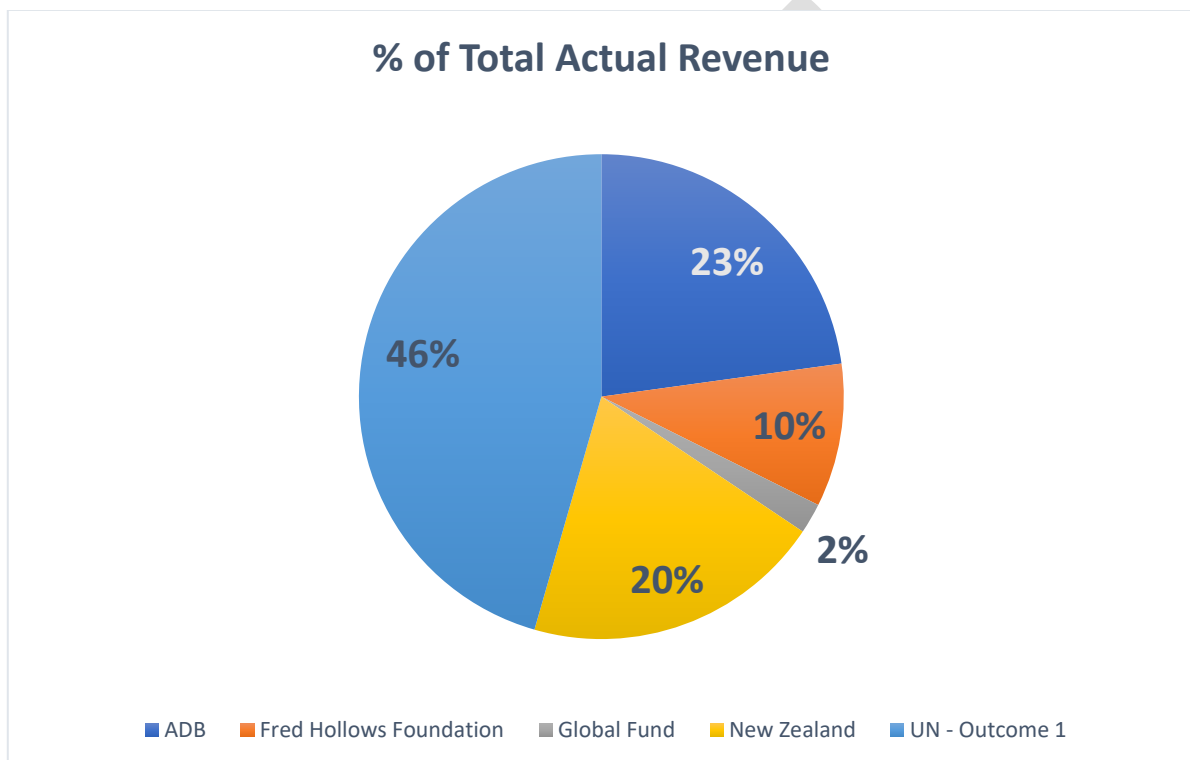


Chart 5 – % Total Actual Revenue – By Donor – 1 July to 31 December 2022

PART III: DEVELOPMENT FUND PROJECT PERFORMANCE

In accordance with the requirements of the *Development Fund Act 2011*, projected revenue and expenditure is contrasted with actual revenue and expenditure for each project and Donor.

Economic Sector

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
Econ Goal 3- Enhance development and sustainable management of marine and fisheries resources to provide sustainable economic returns											
-	38001	Flag State Enhancement Project	RFMO	\$29,021	\$0	\$0	\$0	\$0	\$7,240	-\$7,240	-
3a	44001	NFMRA JV Funds	NFMRA Joint Venture	\$1,527,661	\$0	\$0	\$0	\$0	\$219,968	-\$219,968	-
Econ Goal 4- Efficient and effective use of mining and quarrying resources for economic and rehabilitation purpose economy											
-	43000	NORI Funds - Annual Administration Payments	NORI	\$7,679	\$0	\$0	\$0	\$0	\$251,855	-\$251,855	-
TOTAL					\$0	\$0	\$0	\$0	\$479,063	-\$479,063	

Social and Community Sectors

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
Social Goal 1: Improve the quality and broaden the scope and reach of education											
	Education Support		Australia		\$0	\$0	\$0	\$0	\$312,197	-\$312,197	-
8b(i)	02306	Sustainable and high quality workforce to meet future	Australia	\$327,132	\$0	\$0	\$0	\$0	\$244,960	-\$244,960	-
8b(i)	02309	Create a proactive and continually improving education	Australia	\$338,860	\$0	\$0	\$0	\$0	\$67,237	-\$67,237	-
Social Goal 2: A Healthy and Productive Population											
9a(ii)	01510	TAIWAN COVID-19 Assistance	Taiwan	\$3,381	\$0	\$0	\$0	\$0	\$3,380	-\$3,380	-
	Health Support		Australia		\$0	\$0	\$0	\$0	\$1,221,210	-\$1,221,210	-
9a(ii)	02526	Acute Ward Fit Out	Australia	\$569,303	\$0	\$0	\$0	\$0	\$191,262	-\$191,262	-

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
9a(ii)	02510	Australia COVID-19 Assistance Fund	Australia	\$1,218,721	\$0	\$0	\$0	\$0	\$1,029,948	-\$1,029,948	-
13001	13001	Trachoma research project	Fred Hollows Foundation	\$3,094	\$0	\$62,800	\$62,800	\$0	\$0	\$0	-
	UNDP –Multi-Country Western Pacific Integrated HIV/TB programme (2020-21)		UN		\$0	\$13,308	-\$13,308	\$0	\$19,841	-\$19,841	149%
9a(ii)	25002	HIV/STI (2021-2023)	The Global Fund	\$7,224	\$0	\$13,308	-\$13,308	\$0	\$19,841	-\$19,841	149%
	WHO –Strengthening Health System and Public Health Programs Communicable Disease, NCD, and Environmental Health		UNWHO		\$0	\$0	\$0	\$0	\$23,130	-\$23,130	-
9a(i)	37006	NCD Management activities	WHO	\$10,117	\$0	\$0	\$0	\$0	\$10,100	-\$10,100	-
9a(i)	37010	NCD Multisectoral Taskforce	WHO	\$13,124	\$0	\$0	\$0	\$0	\$13,030	-\$13,030	-

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
Social Goal 7: A robust, vibrant and effective civil society for a just and peaceful Nauru											
9a(ii), 9a(iii)	33003	Expanded Program on Immunisations	UN	\$26,013	\$0	\$0	\$0	\$0	\$8,055	-\$8,055	-
TOTAL					\$0	\$76,108	-\$76,108	\$0	\$1,587,813	-\$1,587,813	

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Infrastructure Sector

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
Infra Goal 1: Provide a reliable, affordable, secure and sustainable energy supply to meet socio-economic development needs											
15d(i)	03701	Renewable energy & Training	New Zealand	\$229,596	\$0	\$0	\$0	\$0	\$10,834	-\$10,834	-
	Nauru Renewable energy initiative		New Zealand		\$0	\$131,839	-\$131,839	\$0	\$154,444	-\$154,444	117%
15d(iii)	03703	NEEDS Implementation Project	New Zealand	\$103,608	\$0	\$131,839	-\$131,839	\$0	\$154,444	-\$154,444	117%
15d(iii)	06005	UNDP – Supporting Mainstreamed Achievement of Roadmap Targets on Energy in Nauru (SMARTEN)	UN	\$184,390	\$1,438,435	\$0	\$1,438,435	\$1,438,435	\$184,149	\$1,254,286	-
Infra Goal 3: Effective management of waste and pollution that minimises negative impacts on public health and environment											

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
17b(i), 17c(i), 17c(ii), 17d(i) ¹	16905	NSUDP's PMU	ADB	\$0	\$0	\$150,000	-\$150,000	\$0	\$70,665	-\$70,665	47%
17d(i)	34008	Integrated Chemical and Waste Management	UN	\$81,457	\$0	\$0	\$0	\$0	\$16,698	-\$16,698	-
Infra Goal 5: Provide universal and reliable access to internationally competitive communication services and an independent and commercially viable media											
19a(i)	01004	Fiber Optics Local Connectivity Project	Taiwan	\$94,500	\$0	\$0	\$0	\$0	\$11,900	-\$11,900	-
19a(iii)	02737	2021 Digital Project	Australia	\$433,433	\$0	\$0	\$0	\$0	\$14,909	-\$14,909	-
TOTAL					\$1,438,435	\$281,839	\$1,156,596	\$1,438,435	\$463,599	\$974,836	

¹ This project also contributes to water infrastructure development, however, there is no KPI covering that so it has been allocated to the waste management KPIs which the project also covers

Cross-Cutting Sectors

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
Cross Goal 4: Sustainable use and management of the environment and natural resources for present and future generations											
24a(i), 17d(i) ²	05008	Integrated Water Management	SPC	\$30,801	\$0	\$0	\$0	\$0	\$30,801	-\$30,801	-
-	34009	Ozone Depleting Substances Inst. Strength 6	UNEP	\$0	\$0	\$0	\$0	\$0	\$13,558	-\$13,558	-
-	34010	GEF7 Land Restoration Biodiversity Project	UNEP	\$0	\$636,395	\$299,400	\$336,995	\$636,395	\$0	\$636,395	-
Cross Goal 5: Build up resilience to combat the effects of climate change and natural disasters											
24a(ii), 16d(iii)	05009	Global Climate Change Alliance Plus Scaling up Pacific	SPC	\$2,492	\$0	\$0	\$0	\$0	\$11,275	-\$11,275	-

² While this project contributes to a KPI in Infrastructure sector as well as the Cross-cutting sector, it is allocated to the Cross-cutting sector for the purposes of this report

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/22	Projected Revenue FY 22/23	Actual Revenue YTD	Variance	Projected Expenditure FY 22/23	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
		Adaptation (GCCA+ SUPA)									
TOTAL					\$636,395	\$299,400	\$336,995	\$636,395	\$55,634	\$580,761	

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PART IV: AID-IN-KIND SUPPORT SUMMARY

There has been growing interest in the progress of Aid-In-Kind support.

Aid-in-Kind support is provided in the form of advisors, specialists, materials and/or equipment. This support to Nauru is captured in the *Development Fund Annual Projections 2022-2023*.

For FY 22-23, \$61.6m in Aid-in-Kind support was expected, less the misclassified \$0.3m deposit. More Aid-in-Kind is anticipated in the second half of FY 22-23.

Requests to donor partners for updates only yielded one response, from Japan.

	\$	\$
Japan		1.3m
- Central monitor (1 unit)	-	
- Bedside monitor (13 units)	-	
- ICU bed (10 units)	-	

Table 5 - In-Kind Support 1 July – 31 December 2022

The challenge in retrieving information on this type of assistance is the determining the book value of each compared to the projected value of the support/program. For instance, Japan, under the ESDP, provides assistance for medical equipment approximating \$1.3m in value; however, the value of equipment expected in late 2022 are undetermined.

As the IMF have expressed interest in tracking Aid-in-Kind support to Nauru, donors are urged to support Nauru's efforts to report on Aid-in-Kind support, going forward.