



REPUBLIC OF NAURU

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DEVELOPMENT FUND

HALF YEAR REPORT

FY 2023-2024

1 JULY 2023 TO 31 DECEMBER 2023

CIRCULATED BY

THE HONOURABLE DAVID ADEANG, MP

PRESIDENT AND MINISTER FOR FINANCE OF THE REPUBLIC OF NAURU



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## Conventions used in this Document:

- Actual Revenue data is retrieved from the Nauru Financial Management Information System. Projection data is taken from the FY 2023-24 Development Fund Projection.
- All amounts are expressed in Australian dollars unless otherwise stated.
- Due to rounding small discrepancies may occur in the totals shown in columns in tables.
- Exchange rate conversions assume: AUD 1.00 = USD 0.69 = NZD 1.17 = JPY ¥86.4

## LIST OF KEY ACRONYMS

ADB	Asian Development Bank
Australia	Australian Department of Foreign Affairs and Trade
FAO	Food and Agriculture Organisation
GON	Government of Nauru
NFMRA	Nauru Fisheries and Marine Resource Authority
NORI	Nauru Ocean Resources (Inc)
NSDS	2019-2030 National Sustainable Development Strategy
NZ	New Zealand Ministry of Foreign Affairs and Trade
OHCHR	Office of the UN 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 Nations Development Program
UNEP	United Nations Environment Program
UNESCO	United Nations Education, Scientific and Cultural Organisation
UNFPA	United Nations Populations Fund
UNICEF	United Nations Children’s Fund
WHO	World Health Organisation

## PART I: EXECUTIVE SUMMARY

In the first six months of FY23-24, the GON received development funds amounting to \$1.5m and expended \$3.6m. Based on the Development Fund Projection FY23-24, these are close to 50% of the projected revenue.

The actual expenditure approximates to 125% of projected expenditure. Actual expenditure of the current reporting period is more than projected figures as a result of line departments and agencies expending funds from previous periods.

Approximately 42% of the total expenditure went towards the Social & Community Sector (\$1.5m), with approximately \$1.4m spent on education. The Infrastructure Sector accounted for 33% of expenditure (\$1.2m) and Economic sector for 20% (\$0.7m), leaving the Cross-Cutting sectors with only 5% (\$0.2m) of all development fund expenditure which focused on Climate Change and Environment.

There is still 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. Donors are also encouraged to support Nauru's efforts to report on Aid-in-Kind support.

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## PART II: DEVELOPMENT FUND ANALYSIS

### INTRODUCTION

This Half Year Development Fund Report for the period 1 July to 31 December 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 23-24.

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 of the Development Funds for 1 July to 31 December 2023. Part III outlines project-by-project revenue and expenditure and variances from the FY 23-24 Development Fund Projection.

### PURPOSE OF THE DEVELOPMENT FUND

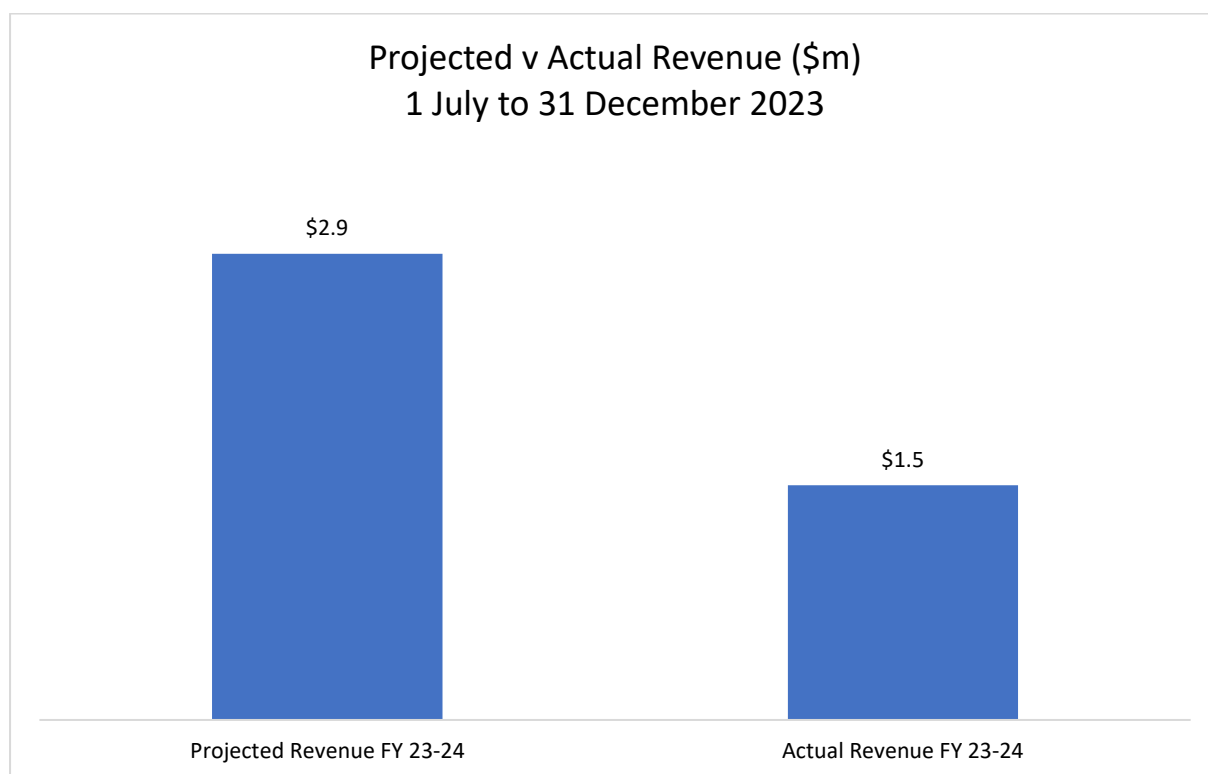
The Development Fund was established in accordance with the *Development Fund Act 2011*. The purpose of the Development Fund is to receive and disburse grant funds from development partners. At present, the Development Fund is restricted to three bank accounts covering Australian, New Zealand and all 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 'expending' 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 2023

### REVENUE



**Chart 1 – Projected v Actual Revenue**

As displayed in Chart 1, revenue for FY 23-24 was projected to be \$2.9m, while actual revenue received in this half-year period totals \$1.5m. By the end of the period, it is expected that the funds will be fully received into the Development Fund.

### ACTUAL REVENUE BY NSDS SECTOR

<b>Total Revenue</b>	<b>Projected</b>	<b>Actual</b>
<b>Economic</b>	\$ -	\$ -
<b>Social</b>	\$ -	\$ 211,852
<b>Infrastructure</b>	\$ 2,778,721	\$ 1,221,141
<b>Cross-Cutting</b>	\$ -	\$ 29,291
Subtotal	<b>\$ 2,778,721</b>	<b>\$ 1,462,284</b>
<b><i>Projected but Not Received This Period</i></b>		
Grassroot Grant Program for Human Security Projects	\$ 125,000	
Subtotal	<b>\$ 125,000</b>	\$ -
<b>Grand-Total</b>	<b>\$ 2,903,721</b>	<b>\$ 1,462,284</b>

**Table 1 – Projected v Actual Revenue**

In accordance to the *Development Fund Projections FY23-24*, three projects totalling \$2.9m were to be cash funded this financial year. Within this half-year period, funding for two projects has been partially received. Remaining project funds will be expected in the upcoming months. This still 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 first 6-month period:

<b>Deposit Classifications</b>		<b>\$</b>	<b>\$</b>
<i>AIK but paid in cash</i>			
25002	HIV/STI (2021-2023)	\$ 27,955	
			<b>\$ 27,955</b>
<i>Deposits not Projected</i>			
01005	Council of Indigenous People	\$ 23,482	
05009	Global Climate Change Alliance Plus Scaling up Pacific Adaptation (GCCA+ SUPA)	\$ 29,291	
33004	UNICEF Multiple Indicator Cluster Survey (MICS) in Nauru	\$ 126,090	
45001	Naoero Museum & National Heritage Digisation Project	\$ 34,325	
			<b>\$ 213,188</b>
<i>Deposits Projected and Correctly Classified</i>			
03703	NEEDS Implementation Project	\$ 271,245	
06005	UNDP –Supporting Mainstreamed Achievement of Roadmap Targets on Energy in Nauru (SMARTEN)	\$ 949,896	
			<b>\$ 1,221,141</b>
			<b>\$ 1,462,284</b>

**Table 2 – Deposit Classifications**

Of the funds received, \$28k (2%) were projected as Aid-in-Kind, while \$0.2m (15%) were not projected. The remaining \$1.2m (83%) were correctly projected and classified on the “Development Fund Annual Projections FY 2023-24”. There are improvement in the “*Deposits Projected and Correctly Classified*” compared to the previous half year by approximately 38%. Donors and partners are encouraged to continue correctly classifying projects so that funds and aids projected in the *Development Fund Projection* are accurate and line departments can plan their activities.



## Deposit Classification as a % of Total Actual Revenue 1 July to 31 December 2023

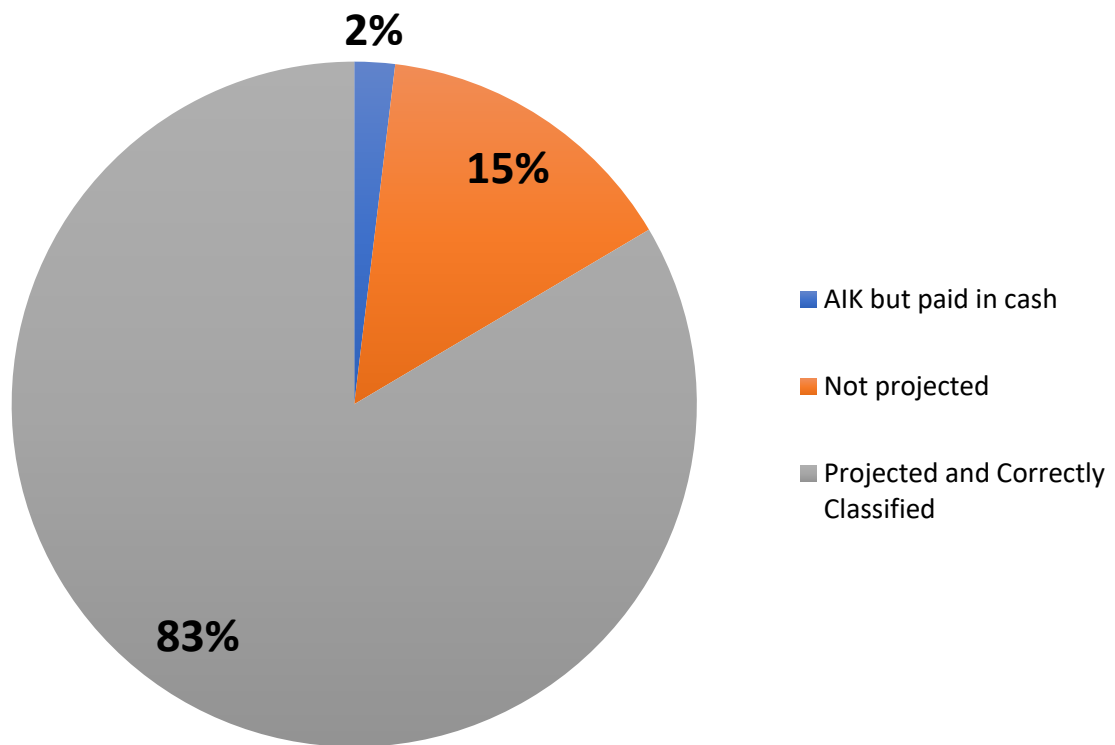


Chart 2 – Deposit Classifications

We continue to urge donors and partners 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.

DONOR ANALYSIS

In terms of support, UNDP, under the Outcome 1 projection, is the largest source of development revenue, followed by New Zealand and UNICEF. 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.

Donor	Projected Cash Funds	Actual Revenue	% of Total Actual Revenue
UN - Outcome 1	\$ 2,162,940	\$ 949,896	65%
New Zealand	\$ 618,509	\$ 271,245	19%
UN - Outcome 2	\$ -	\$ 126,090	9%
Germany	\$ -	\$ 34,325	2%
SPC	\$ -	\$ 29,291	2%
Global Fund	\$ -	\$ 27,955	1.9%
Taiwan	\$ -	\$ 23,482	2%
		\$ 1,462,283	100%

Table 3 – Total Revenue – By Donor – 1 July to 31 December 2023

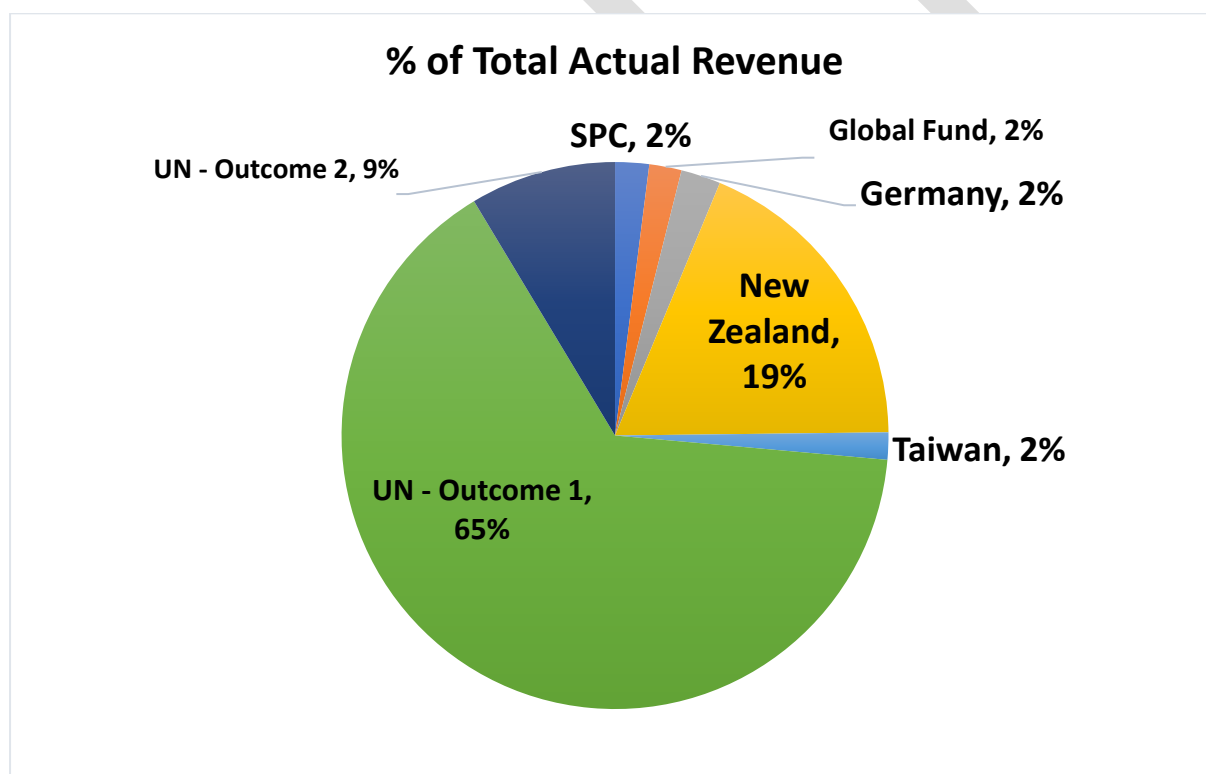
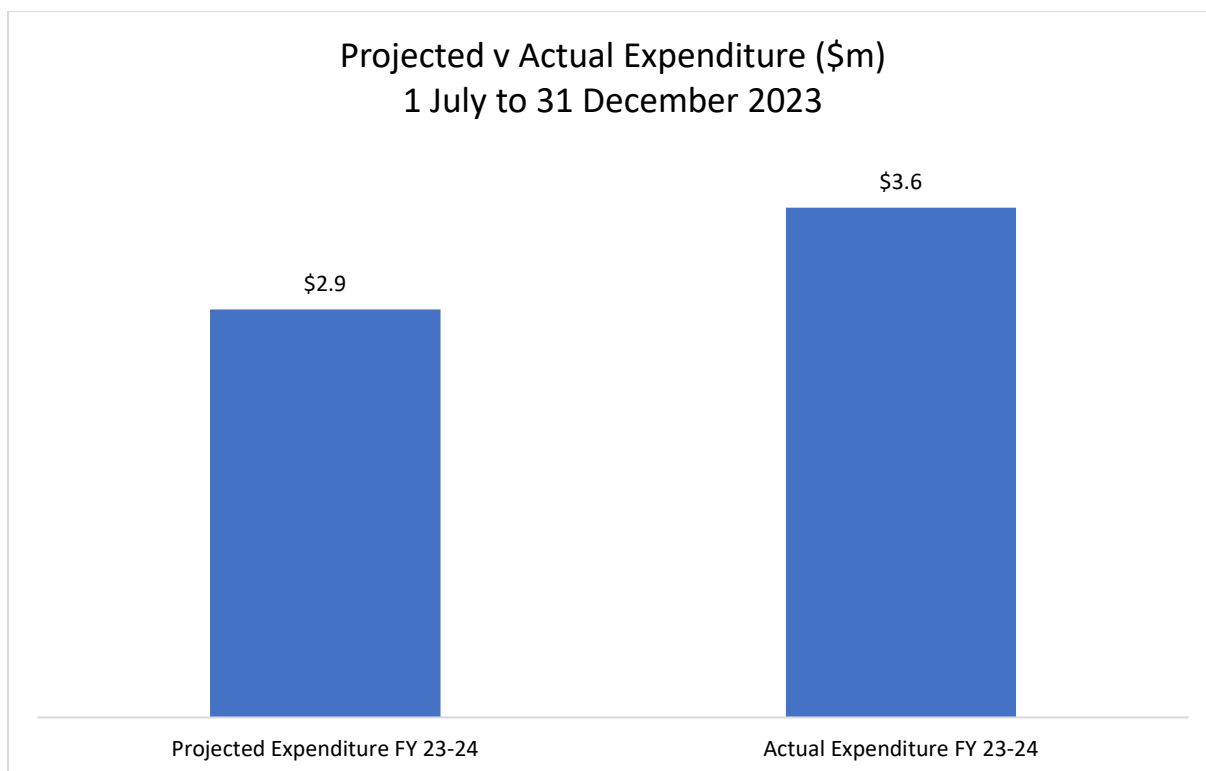


Chart 3 - % Total Revenue – By Donor – 1 July to 31 December 2023

## EXPENDITURE

Departments and agencies have expended a total of \$3.6m, surpassing the projected expenditure of \$2.9m as shown in Chart 4 below:

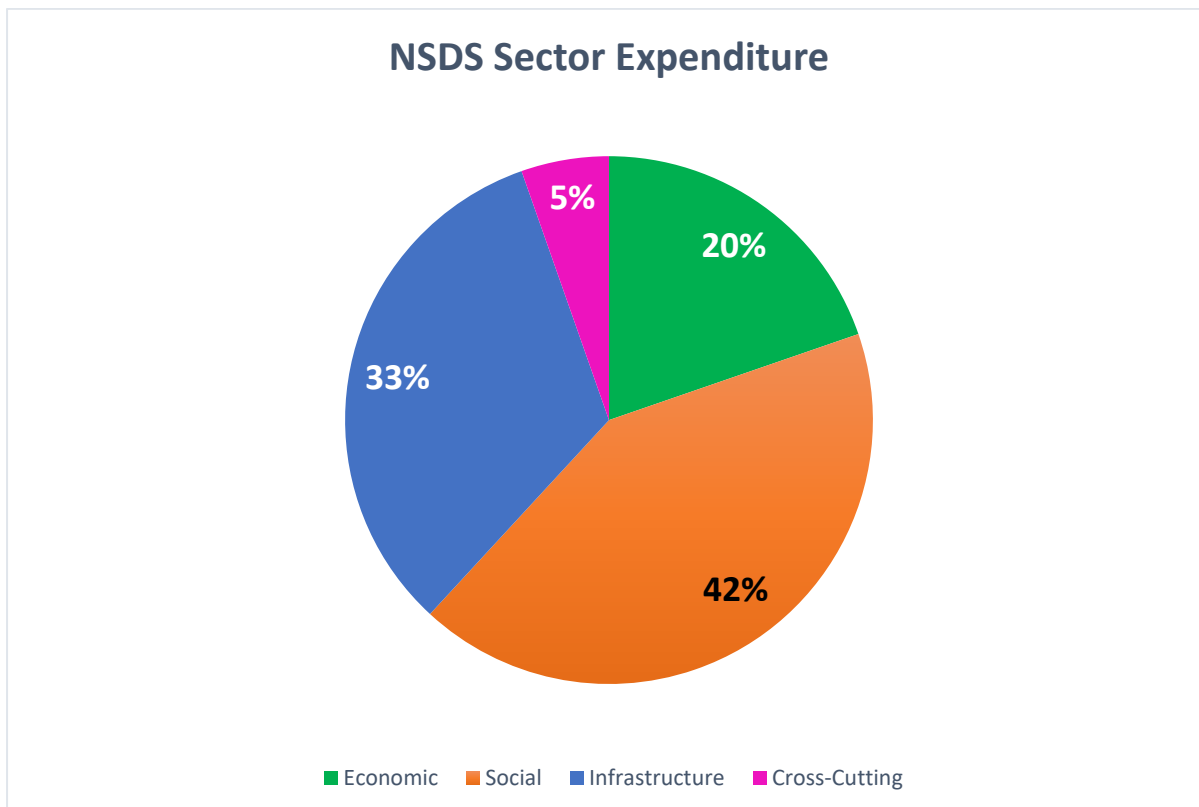


**Chart 4 – Projected v Actual Expenditure**

<u>Total Expenditure</u>	<b>Projected</b>	<b>Actual</b>
<b>Economic</b>	\$ -	\$ 715,373
<b>Social</b>	\$ -	\$ 1,529,636
<b>Infrastructure</b>	\$ 2,778,721	\$ 1,188,889
<b>Cross-Cutting</b>	\$ -	\$ 195,098
Subtotal	<b>\$ 2,778,721</b>	<b>\$ 3,628,996</b>
<b><u>Projected but Not Spent This Period</u></b>		
WHO - Resilient Health Systems	\$ 125,000	
Subtotal	<b>\$ 125,000</b>	\$ -
<b>Grand-Total</b>	<b>\$ 2,903,721</b>	<b>\$ 3,628,996</b>

**Table 4 – Projected v Actual Expenditure**

Development projects undertaken by departments and government agencies are categorized under the four NSDS Sectors. Within the 6-month period of FY23-24, the departments and agencies have spent \$3.6m; approximately 125% of the projected expenditure. Based on the sectors, spending in the Social & Community Sector accounts for 42% of the Total Expenditure; 33% directed to the Infrastructure Sector and 20% to the Economic Sector. The Cross-Cutting Sector only accounts 5%.



**Chart 5 – NSDS Sector Expenditure**

From the Total Expenditure figure, line departments were expending underspent funds from previous financial years. From Table 4 (and PART III tables), it is evident that utilization of these funds are particularly in:

- Economic Sector and Cross-Cutting Sector – all projects
- Social & Community Sector – Australia funded Health and Education programs, and UN programs
- Infrastructure Sector –New Zealand funded renewable energy and training “NEEDS” program, Taiwan funded Fiber Optics connectivity project and the UN funded “SMARTEN” project.

Challenges in sourcing and resourcing continues to hinder efforts in spending progress. This have led to extension negotiations of current programs. Also, ministerial restructures and shifts in department priorities also play a role in this; this is a normal governmental phase.

The capacity, consistency and responsiveness of departments and agencies to support activities must be considered and addressed to ensure development funds and resources can be fully utilized.

Compared to previous years, the arrival and establishment of technical assistants and consultants have improved the departments performance as development funds and resources are properly and appropriately allocated and utilized therefore addressing the medium-term setbacks.

### 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 01/07/23	Projected Revenue FY 23/24	Actual Revenue YTD	Variance	Projected Expenditure FY 23/24	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
<b>Econ Goal 3- Enhance development and sustainable management of marine and fisheries resources to provide sustainable economic returns</b>											
3a	44001	NFMRA JV Funds	NFMRA Joint Venture	\$947,944	\$0	\$0	\$0	\$0	\$213,729	-\$213,729	-
<b>Econ Goal 4- Efficient and effective use of mining and quarrying resources for economic and rehabilitation purpose economy</b>											
-	43000	NORI Funds - Annual Administration Payments	NORI	\$941,270	\$0	\$0	\$0	\$0	\$501,645	-\$501,645	-
<b>TOTAL</b>					<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$715,373</b>	<b>-\$715,373</b>	

## SOCIAL AND COMMUNITY SECTORS

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/23	Projected Revenue FY 23/24	Actual Revenue YTD	Variance	Projected Expenditure FY 23/24	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
<b>Social Goal 1: Improve the quality and broaden the scope and reach of education</b>											
	<b>Education Support</b>		<b>Australia</b>		<b>\$5,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,353,931</b>	<b>-\$1,353,931</b>	<b>-</b>
8b(i)	02306	Sustainable and high-quality workforce to meet future	Australia	\$789,199	\$0	\$0	\$0	\$0	\$753,869	-\$753,869	-
8b(v)	02307	Improving quality and access to early years, Primary and	Australia	\$342,637	\$0	\$0	\$0	\$0	\$5,440	-\$5,440	-
8b(i)	02309	Create a proactive and continually improving education	Australia	\$804,318	\$0	\$0	\$0	\$0	\$594,622	-\$594,622	-

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/23	Projected Revenue FY 23/24	Actual Revenue YTD	Variance	Projected Expenditure FY 23/24	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
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### Social Goal 2: A Healthy and Productive Population

	<b>Health Support</b>		<b>Australia</b>		<b>\$5,000,000</b>	<b>\$0</b>	\$5,000,000	<b>\$0</b>	<b>\$27,393</b>	-\$27,393	-
9a(ii)	02526	Acute Ward Fit Out	Australia	\$117,231	\$0	\$0	\$0	\$0	\$27,393	-\$27,393	-
	13001	Trachoma research project	Fred Hollows Foundation	\$7,862	\$0	\$0	\$0	\$0	\$1,170	-\$1,170	-
	<b>UNDP –Multi-Country Western Pacific Integrated HIV/TB programme (2020-21)</b>		<b>UN</b>		<b>\$0</b>	<b>\$27,955</b>	<b>-\$27,955</b>	<b>\$0</b>	<b>\$23,729</b>	<b>-\$23,729</b>	-
9a(ii)	25002	HIV/STI (2021-2023)	The Global Fund	\$3,893	\$0	\$27,955	-\$27,955	\$0	\$23,729	-\$23,729	85%

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

	01005	Council of Indigenous People	Taiwan	\$0	\$0	\$23,482	-\$23,482	\$0	\$0	\$0	0%
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NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/23	Projected Revenue FY 23/24	Actual Revenue YTD	Variance	Projected Expenditure FY 23/24	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
	45001	Naoero Museum & National Heritage Digisation Project	Germany	\$0	\$0	\$34,325	-\$34,325	\$0	\$12,218	-\$12,218	36%

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

	33004	UNICEF Multiple Indicator Cluster Survey (MICS) in Nauru	UN	\$0	\$0	\$126,090	\$126,090	\$0	\$111,195	\$111,195	88%
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<b>TOTAL</b>				<b>\$10,000,000</b>	<b>\$211,852</b>	<b>\$40,328</b>	<b>\$0</b>	<b>\$1,529,636</b>	<b>-\$1,307,246</b>	
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## INFRASTRUCTURE SECTOR

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/23	Projected Revenue FY 23/24	Actual Revenue YTD	Variance	Projected Expenditure FY 23/24	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
<b>Infra Goal 1: Provide a reliable, affordable, secure and sustainable energy supply to meet socio-economic development needs</b>											
	<b>Nauru Renewable energy initiative</b>		<b>New Zealand</b>		<b>\$615,781</b>	<b>\$271,245</b>	<b>\$344,536</b>	<b>\$615,781</b>	<b>\$185,656</b>	<b>\$430,125</b>	<b>68%</b>
15d(iii)	03703	NEEDS Implementation Project	New Zealand	\$68,906	\$615,781	\$271,245	\$344,536	\$615,781	\$185,656	\$430,125	68%
15d(iii)	06005	UNDP – Supporting Mainstreamed Achievement of Roadmap Targets on Energy in Nauru (SMARTEN)	UN	\$13,194	\$2,162,940	\$949,896	\$1,213,044	\$2,162,940	\$947,558	\$1,215,382	100%
<b>Infra Goal 3: Effective management of waste and pollution that minimises negative impacts on public health and environment</b>											
17b(i), 17c(i), 17c(ii), 17d(i)	16905	NSUDP's PMU	ADB	\$51,280	\$0	\$0	\$0	\$0	\$47,017	-\$47,017	-

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/23	Projected Revenue FY 23/24	Actual Revenue YTD	Variance	Projected Expenditure FY 23/24	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
<b>Infra Goal 5: Provide universal and reliable access to internationally competitive communication services and an independent and commercially viable media</b>											
19a(i)	01004	Fiber Optics Local Connectivity Project	Taiwan	\$58,004	\$0	\$0	\$0	\$0	\$8,658	-\$8,658	-
<b>TOTAL</b>					<b>\$2,778,721</b>	<b>\$1,221,141</b>	<b>\$1,557,580</b>	<b>\$2,778,721</b>	<b>\$1,188,889</b>	<b>\$1,589,832</b>	

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## CROSS-CUTTING SECTORS

NSDS KPI	Project Code	Project Name	Source of Revenue	Opening Balance 01/07/23	Projected Revenue FY 23/24	Actual Revenue YTD	Variance	Projected Expenditure FY 23/24	Actual Expenditure YTD	Variance	% of Actual Revenue Spent
<b>Cross Goal 4: Sustainable use and management of the environment and natural resources for present and future generations</b>											
-	34009	Ozone Depleting Substances Inst. Strength 6	UNEP	\$55,160	\$0	\$0	\$0	\$0	\$3,180	-\$3,180	-
-	34010	GEF7 Land Restoration Biodiversity Project	UNEP	\$178,364	\$0	\$0	\$0	\$0	\$157,965	-\$157,965	-
-	34003	Review Update NIP for POPs in Nauru	UN	\$5,625	\$0	\$0	\$0	\$0	\$5,625	-\$5,625	-
<b>Cross Goal 5: Build up resilience to combat the effects of climate change and natural disasters</b>											
24a(ii), 16d(iii)	05009	Global Climate Change Alliance Plus Scaling up Pacific Adaptation (GCCA+ SUPA)	SPC	\$1,289	\$0	\$29,291	-\$29,291	\$0	\$28,328	-\$28,328	97%
<b>TOTAL</b>					<b>\$0</b>	<b>\$29,291</b>	<b>-\$29,291</b>	<b>\$0</b>	<b>\$195,098</b>	<b>-\$195,098</b>	