

**NAURU COUNTRY PROGRAM REPORT  
PACIFIC REVIEW OF ADVISER POSITIONS FUNDED BY THE AUSTRALIAN AID PROGRAM  
DECEMBER 2010**

## Overview

[A Joint Adviser Review Report](#) was released on 15 February 2011, which provided a synthesis of the findings and key recommendations from individual country reviews, including country specific adviser figures and narrative.

Australia worked bilaterally with a large number of partner country governments to review each adviser position. While the underlying Review methodology and the core content of country-specific reports is consistent across programs, in each case the final country-specific Review Report reflects decisions made by the joint Review teams as appropriate for the specific cultural and language context. As a result there are some presentational differences between reports.

This report presents the findings and recommendations of the joint Review process undertaken between the Governments of Nauru and Australia.

It is important to note that the Review process involved an assessment of the value and effectiveness of each adviser position – not the performance of individuals in those positions. The Review focused on the role of each position in meeting agreed country program objectives and development outcomes. On the basis of this assessment, the continued funding of adviser positions by AusAID was jointly considered and agreed with partner governments.

## 1. Executive Summary

Nauru faces a range of long-term challenges in developing the capacity of senior officials in government departments and State-owned Enterprises. Interviews with Ministers about the effectiveness of Australian-funded positions indicate most advisers are filling essential vacancies in management and technical areas, and are core contributors to the Government's efforts to reform the public sector and improve efficiency in the delivery of essential services to the island.

The provision of specialist advisers filling senior management roles has helped the Nauru Government address critical operational constraints. Due to Nauru's severe capacity constraints it is likely to continue to be a requirement of the relationship for the foreseeable future.

## 2. Background

The Nauru-Australia Pacific Partnership for Development (PPD) was signed in August 2009. The Priority Outcomes under the Partnership are: efficient and accountable Public Sector management, improved education, a cost-effective health system which delivers improved health outcomes, reliable and cost effective provision of essential infrastructure and services and increased Private Sector growth. To deliver on these Priority Outcomes in 2010/11, Australia is:

- Developing joint implementation strategies across all five key sectors;
- Aligning funding support for Nauru's annual New Project Proposal (NPP) activities with Priority Outcomes (approximately A\$ 12 million);
- Providing funding incentives for core Public Sector reform priorities (e.g. the rollout of a government-wide Financial Management Implementation System and the development of sound Public Financial Management and Procurement guidelines) through Performance-Linked Aid (A\$ 1 million);
- Encouraging the development of innovative approaches to addressing issues of Climate Change and Climate Vulnerability (A\$ 500,000); and
- Through the provision of formal and non-formal Technical and Vocational Educational Training (TVET) and life skills, providing continuing education for Nauruan Citizens (A\$ 500,000).

In addition to the above programs, long-term advisory support is provided to each of the key sectors through the Pacific Technical Assistance Mechanism (PACTAM). Australia also provides significant funding for other donor and regional programs in health and small business, as well as for scholarships, including through the Australian Regional Development Scholarships (ARDS), Australian Leadership Awards (ALA), Pacific Executive Program, and the Australia Pacific Technical College Awards (APTC).

The Nauru Country Program administers a bilateral funding package of \$15.4 million in 2010-11 and an additional \$1 million through Performance-Linked Aid, Climate Change and Education Budget Measures in the current financial year. There are currently 10 Australian-funded Advisers working in central agencies and state owned enterprises and engaged through the Pacific Technical Advisory Mechanism (PACTAM) managed by Australian Volunteers International (AVI). This Technical Assistance absorbs approximately 16% of the program's expenditure, inclusive of salaries, allowances and logistical support costs. Advisers are predominantly in-line, with several positions until recently being filled by Australian

Government deployees (e.g. from the Department of Finance and Treasury). However, all ten positions considered in this review are now being filled by internationally recruited specialists drawn from the open market and engaged on contract.

### *Nauru's operating environment*

Nauru is unique among other Pacific Island Nations, including those with a similar geographic and demographic makeup, and as a result faces a number of unique challenges. These challenges range from a relatively dry climate (limiting the availability of access to fresh-water), minimal scope for tourism (and the industries which are generated and supported by that trade), a rich but comparatively small EEZ, a treacherous coastline that inhibits economic trade through the difficulty faced by shipping supplying the island (unloading must be conducted using small tenders while the ship is moored offshore which greatly increases turn-around times), and the lack of any indigenous or sustainable sources of fuel for industry and power generation. Further, overarching limitations hindering the long-term development of Nauru include very high levels of national debt, low levels of human resource capacity in sectoral and technical areas and slow reform in public sector management and financial systems. The Republic currently enjoys reasonable service provision due to improved management of the island's limited resources (partly due to donor funded technical assistance) and other ongoing support from donors, but shows mixed performance against the Millennium Development Goals (MDGs), although figures need to be treated with caution as a result of significant weaknesses in national data collection.

With the development of the Partnership for Development, Australia's support as the principal donor to Nauru has now been realigned with the Republic's own national development strategy and priorities.

### *Methodology used to conduct review*

The Adviser Review for Nauru was conducted jointly by the Nauru Office of the Chief Secretary and AusAID's representative on the island (Post). As most of the advisers engaged to provide specialist advice hold senior in-line positions (including two Secretaries for key Government Departments and a Chief Executive Officer of a central State Owned Enterprise), consultations over the effectiveness of these positions were undertaken primarily with senior Nauru Cabinet Ministers. The joint review team would like to acknowledge the generosity and interest shown by the Ministers in contributing to the review.

The review identified ten positions supported by the Australian aid program. Consultations with senior host Department officials and Cabinet Ministers provided a final agreed rating on a scale of:

- **High** - the position is considered effective, addresses the ToR and there is a corresponding demand for the level of experience and expertise within the Department and should therefore be retained;
- **Medium** - the position is effective and addresses the ToR to a certain extent, but other options should be considered; and
- **Low** - the position is considered ineffective and should be phased out.

Key steps in the process were:

- Initial data analysis gathered information on every adviser in place or planned for the 2010-11 financial year;
- AusAID made an initial assessment of the priority of each position, assessing their terms of reference, existing reports and the views of AusAID program staff. Each position was then ranked as high, medium or low on the basis of AusAID's assessment;
- Initial rankings were discussed by the review team with the Government of Nauru; and
- Final rankings were determined in these consultations.

### 3. Review Findings

#### *Key issues related to Relevance, Efficiency and Cost Effectiveness*

##### *Current advisory placements*

- Australia funds ten advisory positions across several Ministries in Nauru (Finance & Treasury, Education & Fisheries, Health and Commerce, Industry & Environment), two of which are currently vacant. All of the advisory positions form part of the Executive management of the Departments and State-Owned Enterprises (SoEs) they support, with each position reporting directly to the Secretary of the Department or to the Minister responsible for their portfolio. Advisory positions generally address key gaps in executive management within the Departments and SoEs, with at least two positions also providing industry-specific technical expertise (the Fisheries adviser and the Operations Manager for the Nauru Utilities Authority). All but two of the advisers are employed specifically in in-line positions for the Government of Nauru. Although not directly relevant to the focus of this review, all advisers are expatriate (being drawn from several locations across the Pacific region) and three are women.

All positions were assessed as relevant to Partnership for Development priorities as per the following matrix:

Partnership Priority	Relevant Adviser
More efficient and accountable Public Sector Management	Secretary for Finance Deputy Secretary Economic Development and Monitoring Deputy Secretary Treasury CEO Utilities Secretary Health Fisheries Management Adviser
Improved Education	Education adviser
A cost effective health system	Secretary Health and Medical Services Health Educator Health Strategic Planner/Financial Adviser
Reliable and cost effective infrastructure and services	CEO Utilities Operations Manager Nauru Utilities Authority
Increased private sector growth	Fisheries Management Adviser Education Adviser

Due to the lack of necessary local senior-management and technical expertise, advisers placed within the Nauru Government framework fill critical senior vacancies in their respective Department or SoE. While all of the existing Terms of Reference for existing positions include a requirement for the adviser to address the issue of capacity development, the review has identified that in many instances this is simply not achievable, either due to the demand placed on the position to address operational and strategic issues as a priority, or as a result of the lack of any current or foreseeable counterpart being identified for the position. Donor-funded scholarship programs will help address the latter to some extent over time. Scholarships offered to Nauruans under the Australian Regional Scholarship Program (ARDS) directly target Nauru's public sector management shortfalls and national development planning

### *Issues affecting Local Capacity and Retention of skilled professionals*

Nauru's human resource capacity is severely limited (meaning that the skilled / qualified labour workforce is drawn from a very small pool, and renewal of this pool to support a range of essential management and technical skills is very slow). Compounding this situation is the fact that opportunities for school-leavers to progress to higher education are minimal. Scholarships from donors and regional institutions provide the majority of higher education opportunities available to Nauruans, with the only permanent higher education institution on island (University of South Pacific – Nauru campus) being more of a 'representative office' where a limited number of units are offered to students through distance-learning. At some stage students attending USP studies in Nauru must travel to an overseas campus to complete their studies – an expensive proposition given the comparatively low wages offered by most employers on the island.

- Further, Nauru Government agencies face difficulties in human resource management, with poor levels of staff attendance and productivity in many areas, although this issue is currently being addressed with the support of advisers through a number of approaches (e.g. the Government is seeking to introduce a more effective payroll and attendance management system across its Departments).

### *Filling Specialist Positions from Indigenous Sources*

- For many specialist positions across government (e.g. health professionals), Nauru is unlikely to ever fill the full complement of management roles locally. Individuals who are able to access the appropriate levels of formal training and / or higher education to gain internationally recognised qualifications are unlikely to remain on the island to put those skills into practice. The attractive salaries and lifestyle opportunities offered elsewhere in the region (including in other larger Pacific nations such as Fiji), simply cannot be matched in Nauru at present – and this is likely to continue to be the case in the future.
- As a direct result of this situation, for some advisory positions (and other professional roles within government currently filled by expatriate staff), there is no appropriate 'exit strategy' which can reasonably be considered for the

foreseeable future. However, AusAID could put in place a mechanism (through PACTAM) to 'top up' local salaries to expatriate levels when qualified and skilled locals become available, to enhance incentives for such personnel to remain on-island.

#### *Cost Effectiveness & Efficiency*

- The relatively high cost of individual adviser positions was also recognised by the Nauru Government during review discussions. However, costs were considered more than offset by the expertise brought by the advisers, which is simply not available locally (especially in the case of the more technical areas such as fisheries) and the real impact this expertise is having on improving services and developing the efficiency of host Departments and their personnel. At this stage, alternate forms of technical assistance (including short-term advisory support assignments) are not considered effective or appropriate by Nauru's Government as a way of effecting the level of change required in the Nauru context.
- Due to the limited human resources capacity available on the island, particularly in qualified / technical areas of expertise, at present there are few candidates who could even be considered for advancement to senior management roles within the immediate future. Even then it is likely that some form of advisory support would be required for a period to induct and to 'settle-in' the new managers. This is currently evidenced in the Education sector, which is transitioning from the management by an expatriate Director of Education to management by 3 localised Director positions with support from an expatriate education adviser.
- This situation also has implications for the efficiency of advisory support to Nauru, as advisers are often necessarily called to utilise their experience in problem-solving management 'emergencies' due to the inability or unavailability of local managers to administer to these situations, rather than addressing more strategic concerns in their Department.

## **4. Recommendations**

#### *Final Assessments*

- The ratings and assessments for this review by-position are as follows:

Department of Finance – Secretary for Finance. Rating: **High**

Department of Finance – Deputy Secretary, Economic Development and Monitoring. Rating: **High**

Department of Finance – Deputy Secretary, Treasury. Rating: **High**

Department of Education – Education Adviser. Rating: **High**

Nauru Fisheries and Marine Resources Authority – Fisheries Development Specialist. Rating: **Medium** – This position was established as part of a regional Fisheries Institutional reform program designed by the Forum Fisheries Association and was from the outset designated to be phased out after 3 years. Subsequently, both Governments agreed that this specialist support will cease in mid-2012. It is expected that by this time the adviser's work will have

resulted in the Nauru Fisheries authority having developed sufficient strategies, policy and legislation, complemented by experienced Nauruan officers.

Department of Health – Secretary for Health. Rating: **High**

Department of Health – Health Educator. Rating: **High**

Department of Health – Strategic Health Planner. Rating: **Medium** - Both the Ministry and AusAID consider that there is a need to re-examine the ToR for this position to highlight the importance of the 'Health Administration' aspect of the role, while still retaining strategic planning functions. The ToR should also more accurately reflect the inline nature of the position's responsibilities, and additional flexibility should be built-in to permit the position to take on ad-hoc responsibilities such as responding to infrastructure / logistics crises. The ToR should recognise that overall responsibility for strategic planning outcomes rests with the Secretary for Health.

Nauru Utilities Authority – Chief Executive Officer. Rating: **High** – While both Governments agree that the ToR for this role have been achieved and that the position could be localised, there is no local expertise able to satisfactorily fulfil this function; this is likely to continue for some years to come. Given the importance of the Authority's role in providing essential power and water services to the island, the position must be assessed as 'High' priority and continue at least until the next review when local capacity can be re-examined.

Nauru Utilities Authority – Operations Manager. Rating: **High**

#### *Commitment to adviser positions*

- In the case of each of the advisory positions, the Ministries with supervisory responsibility for the roles made it very clear that the current suite of advisors provided them with essential support in critical areas of management and administration within their respective departments, and that with the exception of the Fisheries Development Specialist, the advisory support would be required in its current form for the immediate future.

#### *Expectations for flexibility in the employment of Advisers*

- In addition to the above, for several existing adviser positions, the supervising Ministries have identified that where an adviser has specialist skills additional to those required to fulfil the ToR, the government will often also draw upon those skills as well to further assist and build the capacity of the Department. This is particularly so in the case of the health advisory positions, where personnel engaged to fill the roles of Health Educator and Strategic Health Planner often come with considerable experience in medicine and allied-health practices, such as nursing or hospital administration. Where such skills exist, it is expected that the incumbent advisers may be called upon to provide guidance and oversight of other personnel and activities where these skills are lacking. It is important for AusAID to recognise that this is an additional positive 'spin-off' for both the Department and the position (and not a detractor from the specific ToR).
- Should such ad-hoc support begin to limit the ability of the advisor to address core functions or deliver against the Terms of Reference (ToR), then AusAID will need to work closely with the host Department to determine (i) if the ToR adequately address the actual technical deficiencies of the Department, and (ii) whether the position needs to be complemented by additional advisory support in those areas external to the position's ToR (and if that support should be of a short-term or long-term nature).

*Recent approaches to addressing Management shortfalls by the Government of Nauru*

- Despite these challenges, Nauru Government departments are placing significant emphasis on developing the capacity of existing staff where possible. For example, following a recent study into qualification levels commissioned by the Minister for Health, the Department of Health has established a working group which provides a holistic assessment of the Department's needs in order to support retention of capable and qualified staff. The group has identified twenty individuals as being 'potential future leaders' across a range of management fields and health disciplines, and aims to provide them with appropriate training opportunities (where the Department's training budget permits) and is seeking to place them into a formal 'mentoring' structure. Although a relatively recent development within this Department, this approach has been received with enthusiasm and has energised developing managers into seeking new opportunities to build their own confidence and experience. Other similar examples exist in the Departments of Finance and the Department of Commerce, Industry and Environment (CIE).
- Such developments are very encouraging for the prospect of senior roles within departments being filled in future by local managers, however, both the Government and donors recognise that this is at least a five-year process, and even then advisory support of a more limited capacity will be required to support the fledgling departmental executives in carrying out their responsibilities. Some form of remuneration review should also be considered if skilled and qualified Nauruans are to be retained as they emerge.

*Contractual and Other Implications*

- Given the bulk of Nauru's advisory support have been assessed as being of a 'High' priority, there are few contractual or design implications to be considered at this point. In at least one case, the specific ToR for the position will be revisited by the host department and AusAID (prior to a new Adviser being recruited to fill the vacancy), in order to more accurately reflect the expectations of the role. It has been agreed that the position itself should continue however.
- What should be noted is that for the first time, the bilateral funding package to Nauru includes an amount for 'Monitoring and Review', which will enable both the Government and AusAID to obtain independent advice on the progress being made against the five Partnership priority areas, and the effectiveness of advisers in addressing the capacity needs and improving the performance of their respective Departments / SoE.

*Process for managing future requests for Advisers*

- The existing arrangements for the engagement of advisers – at least in terms of the coordination between GoN and AusAID following receipt of a request for technical assistance to be provided – is deemed to be satisfactory and in line with both Nauru's internal approval processes and Australian procurement 'good practice'.

- The Government of Nauru first determines that their Department has a gap in local capacity to fulfil the requirements of a particular position, or identifies a performance issue requiring capacity development assistance. The ToRs of the position are prepared in consultation with relevant Minister, Head of the Department, or their designated officials (depending on the seniority of the position to be filled); to ensure ownership and commitment and to ensure the role most effectively matches the identified need, and the proposal is then submitted to AusAID for funding consideration. The selection process for the position is conducted on behalf of both Governments by AVI and adheres to Commonwealth recruitment standards to ensure a transparent and competitive selection. The positions are advertised internationally and the selection panel typically comprises a senior representative from the Government of Nauru and recruitment specialists from AVI. Representatives consult extensively when considering the applications and drawing up the shortlist for interview. Interviews may be conducted either in Nauru or Australia. Final decisions are reached by consensus.
  
- In each agency in which an in-line adviser is placed, it will be the Nauruan Minister, Head of Agency or a delegated senior officer who identifies the need and takes responsibility for overseeing the placement, thus ensuring local ownership and demand-driven technical assistance. Further, funding approval for the position is subject to a 'dual' approval process, whereby the requesting Department / Ministry will submit the proposal to the Aid Management Unit (within the Department of Finance) using an agreed New Project proposal (NPP) template which specifically outlines how the position will function and contribute to the objectives of the National Sustainable Development Strategy (NSDS). This proposal must then be agreed to by Cabinet, after which it is released to AusAID for funding consideration.

## 5. Next Steps

The majority of adviser positions have been assessed by the Nauru Government and AusAID as a High priority. It is recommended these positions continue to function under existing ToR and management arrangements, at least until the next review of effectiveness in late-2011. The findings of this initial review will also be raised at High Level discussions between the two governments at the annual Partnership Talks scheduled for early 2011. The talks will be a good opportunity for both Governments to begin work on a strategy to better utilise AusAID's support for local, regional and in-Australia scholarships to purposefully develop and nurture promising Nauruans to take on (over the medium-term) some of the adviser roles. A new independent monitoring and review group (MRG) is being established to oversight aid effectiveness in the Nauru program. It is envisaged the MRG will produce annual assessments of adviser effectiveness and development of management capacity within the various sectors.

The recruitment of a new Strategic Health Planner has been requested by the Ministry for Health following the recent resignation of the incumbent for that position. Subject to AusAID's formal approval, it is anticipated that recruitment should commence no later than January 2011 once agreement is reached on the revised title and ToR for this position.

It is also worth noting that the Government has requested, and AusAID has agreed, to the provision of an additional adviser to manage the Government's proposed new Revenue Office. This will extend the adviser pool to 11 positions representing around 17%-18% of the program expenditure (inclusive of salaries, allowances, logistics and other support costs)

## 6. Conclusion

The depth of Nauru's capacity constraints and limited local expertise mean that significant levels of advisory support from donors will be required for the foreseeable future.

In the Nauru context, given the lack of available local candidates to take over senior management roles in the medium term, an over-emphasis on capacity building elements of advisory functions can be counterproductive to effectiveness in improving management and service delivery.

AusAID should continue to support and replicate innovative practices to support retention and development of capable staff as future senior managers and leaders.

Scholarships offered to Nauruans under the Australian Regional Scholarship Program (ARDS) directly target Nauru's public sector management shortfalls and national development planning but more work needs to be done through tracer studies to better understand incentives and support that may assist capable returning Nauruans to stay on-island and develop as public sector leaders. For example, AusAID could put in place a mechanism (through PACTAM) to 'top up' local salaries to expatriate levels when qualified and skilled locals become available, to enhance incentives for such personnel to remain on-island.

A detailed understanding of the analysis underpinning partner government requests for advisory assistance is critical to ensuring effectiveness of advisory roles. The system currently in place (described above) provides a reasonable level of analysis but will be further strengthened through annual independent review. Terms of Reference and job descriptions for advisory functions should reflect all likely and probable functions of the role, including in-line 'work as directed' functions to be provided by advisers.